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EFTA BULLETIN

Volume XIX
January-February 1978

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European Free Trade Association

EFTA trade in the first nine months of 1977—Gloomy prospects for Swedish industry—Fundamental problems remain for Portuguese industry—Winter of the Finnish Economy

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Cover page: *The state of industry in three EFTA countries—Finland, Portugal and Sweden—in discussed in some detail in articles in this issue of the EFTA Bulletin. Similar articles on Austria and Switzerland were published in the December 1977 issue of the Bulletin. Our photo was taken in a Portuguese metallurgical factory.*

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EFTA trade in the first nine months of 1977

The slow growth of domestic demand in most industrial countries, which is in some cases related to the constraints which the pattern of balance of payments deficits impose, was reflected in the sluggish development of international trade in 1977. Figures for the value of EFTA trade during the first nine months of 1977 show, however, that there was an increase compared with a year earlier. But all EFTA countries recorded trade deficits in the first nine months of 1977 and the combined deficit was considerably higher than that of the same period in 1976. Only two EFTA countries, Finland and Iceland, reported reduced deficits.

For the EFTA countries combined, the value of total imports amounted to 50,015 million US dollars, a rise of 17.7 per cent over the first nine months of 1976. The largest relative increases in imports were recorded by Iceland and Austria. Total EFTA exports rose less sharply: by 12.0 per cent to 46,707 million dollars, with exports from Iceland and Finland expanding most.

The value of intra-EFTA exports in the first nine months rose by 11.3 per cent, slightly less than total exports, while exports to Eastern Europe increased by 8.0 per cent. Trade with the EC developed reasonably strongly, with EFTA exports to the EC rising by 12.1 per cent, and imports from the EC growing by 19.3 per cent. Detailed data for EFTA trade in the first nine months of 1977 are given in Tables 1 and 2.

All EFTA countries showed deficits in their trade balances and, except for Iceland and Finland, the trade deficits increased as compared with the first nine months of 1976. The combined EFTA trade deficit in the first nine months of 1977 was $10,308 million, against a deficit of $6,825 million in the same period a year earlier. Finland's trade deficit fell from $831 million to $84 million, while substantially higher deficits were recorded by Austria, Norway and Sweden. Details of trade balances are given in Table 3.

The development of EFTA trade in the first nine months of 1977 can best be seen by comparing the seasonally adjusted three months' moving averages of exports and imports at the beginning and at the end of the period. The following comments refer to these moving averages, which are given in the graph and in Table 4.

Total trade

The seasonally adjusted data for trade in the three months ending in September 1977, compared with those ending in December 1976, show small increases in both total EFTA imports and EFTA exports. The value of imports was 3.3 per cent higher and that of exports 4.2 per cent up. Both imports and exports had fallen quite strongly in the periods ending in February, March and April, but recovered in the following months and stagnated in September.

Portugal and Iceland recorded greatest increases in imports and only Sweden and Finland showed decreases. Exports from Iceland and Norway increased most, and only Sweden's exports fell on a seasonally adjusted basis.

Intra-EFTA trade

The seasonally adjusted three-months averages indicate that intra-EFTA exports fell by 2.1 per cent from December 1976 to September 1977. The decline was particularly strong in March, April and May. As is usual, there are substantial differences in the development of intra-EFTA trade of individual EFTA countries. For Iceland there was again an extremely strong increase, while intra-EFTA exports from Austria, Norway, Portugal and Sweden fell. Finland, Portugal and Sweden also showed falling imports from their EFTA partners.

EFTA trade with the EC

On the basis of the seasonally adjusted figures both EFTA imports from and exports to the EC increased—from the end of 1976 to September 1977—by 7.0 and 7.9 per cent respectively. Imports fell in February, March and April, stagnated in May, fell again in June, but from then on they rose well. Exports to the EC also fell from February to April, but rose over all the succeeding months. Only Finland's and Sweden's EC imports fell between December 1976 and September 1977 and only Sweden's exports recorded a reduction.

EFTA trade with the USA

The greatest expansion was shown in EFTA trade with the USA, when the three month moving averages of seasonally adjusted data for December 1976 and September 1977 are compared. Imports increased by 9.9 per cent and exports by 23.6 per cent, no doubt because economic activity in the USA was rising faster than in other areas. What is more, the rise in EFTA exports was continuous from the three month period ending in March to that ending in September. Only Iceland recorded a fall in imports and all EFTA countries showed increases in exports to the USA, with Finland's and Iceland's exports rising at very fast rates. ■

(See tables and graph on the following pages)

Table 1 EFTA trade in the first nine months of 1977 *(with rise or fall from the first nine months of 1976)*

	EFTA				EC				USA				Eastern Europe				Rest of world				World			
	Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	$ mill.	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria	944.8	19.4	959.3	11.0	6,596.8	28.0	3,512.4	23.6	308.3	29.8	217.1	35.8	924.4	18.1	1,016.4	13.9	1,372.9	15.2	1,396.6	10.3	10,147.2	24.4	7,101.8	17.9
Finland	1,145.6	–4.6	1,312.5	27.3	1,940.4	4.1	2,034.6	18.8	270.9	–2.3	250.6	99.2	1,274.2	11.6	1,164.9	21.1	927.0	28.6	711.1	31.2	5,558.1	6.8	5,473.7	25.2
Iceland	80.9	30.5	61.8	–4.0	203.1	36.4	109.8	24.9	29.8	8.0	114.1	34.9	57.5	22.1	52.6	64.9	55.6	43.3	42.8	65.9	426.9	31.6	381.1	29.4
Norway	2,272.1	22.1	1,131.1	6.7	4,272.7	23.9	3,458.3	7.4	552.6	1.0	286.2	5.7	332.0	48.8	213.2	4.8	2,105.6	20.4	1,171.4	20.2	9,535.0	21.8	6,260.2	9.3
Portugal	296.1	0.5	204.1	–5.6	1,537.0	27.5	725.8	6.4	337.5	41.2	99.2	22.0	112.0	–1.0	64.1	–1.4	1,255.0	22.4	323.4	14.0	3,537.6	22.9	1,416.6	6.7
Sweden	2,363.7	3.8	3,063.0	9.8	7,608.4	11.3	6,440.4	3.3	1,095.7	19.2	727.3	14.6	870.9	11.9	671.8	–13.4	2,986.0	12.5	2,873.6	–3.3	14,924.7	10.8	13,776.1	2.8
Switzerland	948.5	13.1	1,336.0	9.4	8,537.3	20.8	5,655.4	17.8	839.4	15.0	803.8	10.6	412.9	15.4	586.5	5.0	2,147.2	33.8	3,915.3	20.6	12,885.3	21.6	12,297.0	16.5
EFTA	8,051.7	9.9	8,067.8	11.3	30,695.7	19.3	21,936.7	12.1	3,434.2	15.4	2,498.3	19.9	3,983.9	15.7	3,769.5	8.0	10,849.3	20.7	10,434.2	12.1	57,014.8	17.7	46,706.5	12.0

Table 2 Intra-EFTA trade in the first nine months of 1977 *(Exports f.o.b., with rise or fall (–) from the first nine months of 1976*

Importer / Exporter	Austria		Finland		Iceland		Norway		Portugal		Sweden		Switzerland		EFTA	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria			65.6	–4.9	1.5	–16.7	100.3	20.3	31.9	–3.9	258.7	9.9	501.3	13.5	959.3	11.0
Finland	47.1	51.0			7.0	22.8	302.0	89.9	17.0	14.9	851.4	12.8	88.0	34.8	1,312.5	27.3
Iceland	0.1	–50.0	7.2	84.6			6.9	–10.4	25.4	–30.0	9.4	22.1	12.7	47.7	61.8	–4.0
Norway	39.5	21.2	151.6	22.7	44.0	64.8			39.0	2.4	800.8	1.8	56.3	8.3	1,131.1	6.7
Portugal	16.2	–12.0	20.0	7.5	1.1	37.5	38.9	6.9			88.3	–19.4	39.6	22.2	204.1	–5.6
Sweden	201.8	11.7	828.4	–1.9	27.8	52.7	1,673.3	15.4	88.9	38.9			242.8	4.7	3,063.0	9.8
Switzerland	658.0	17.1	103.3	–10.1	3.7	15.6	153.9	16.4	115.2	6.5	301.9	0.3			1,336.0	9.4
EFTA	962.7	16.7	1,176.1	0.1	85.1	50.9	2,275.3	21.7	317.4	7.7	2,310.5	5.2	940.7	13.1	8,067.8	11.3

Table 3 Trade balances of the EFTA countries *(in million U.S. dollars)*

	1973		1974		1975		1976		1977
	Jan.-Sept.	Year	Jan.-Sept.	Year	Jan.-Sept.	Year	Jan.-Sept.	Year	Jan.-Sept.
Austria	–1,320	–1,749	–1,459	–1,862	–1,440	–1,874	–2,132	–3,016	–3,045
Finland	–420	–504	–969	–1,325	–1,785	–2,115	–831	–1,051	–84
Iceland	–22	–67	–112	–186	–130	–179	–63	–66	–46
Norway	–1,141	–1,539	–1,571	–2,145	–2,492	–2,479	–2,099	–3,190	–3,275
Portugal	–566	–1,114	–1,184	–2,190	–1,395	–1,892	–1,550	–2,404	–2,121
Sweden	+1,197	+1,529	–1,005	–504	–578	–395	–103	–870	–1,149
Switzerland	–1,580	–2,096	–2,101	–2,511	–643	–345	–47	+73	–588
EFTA	–3,852	–5,540	–8,401	–10,724	–8,463	–9,279	–6,825	–10,524	–10,308

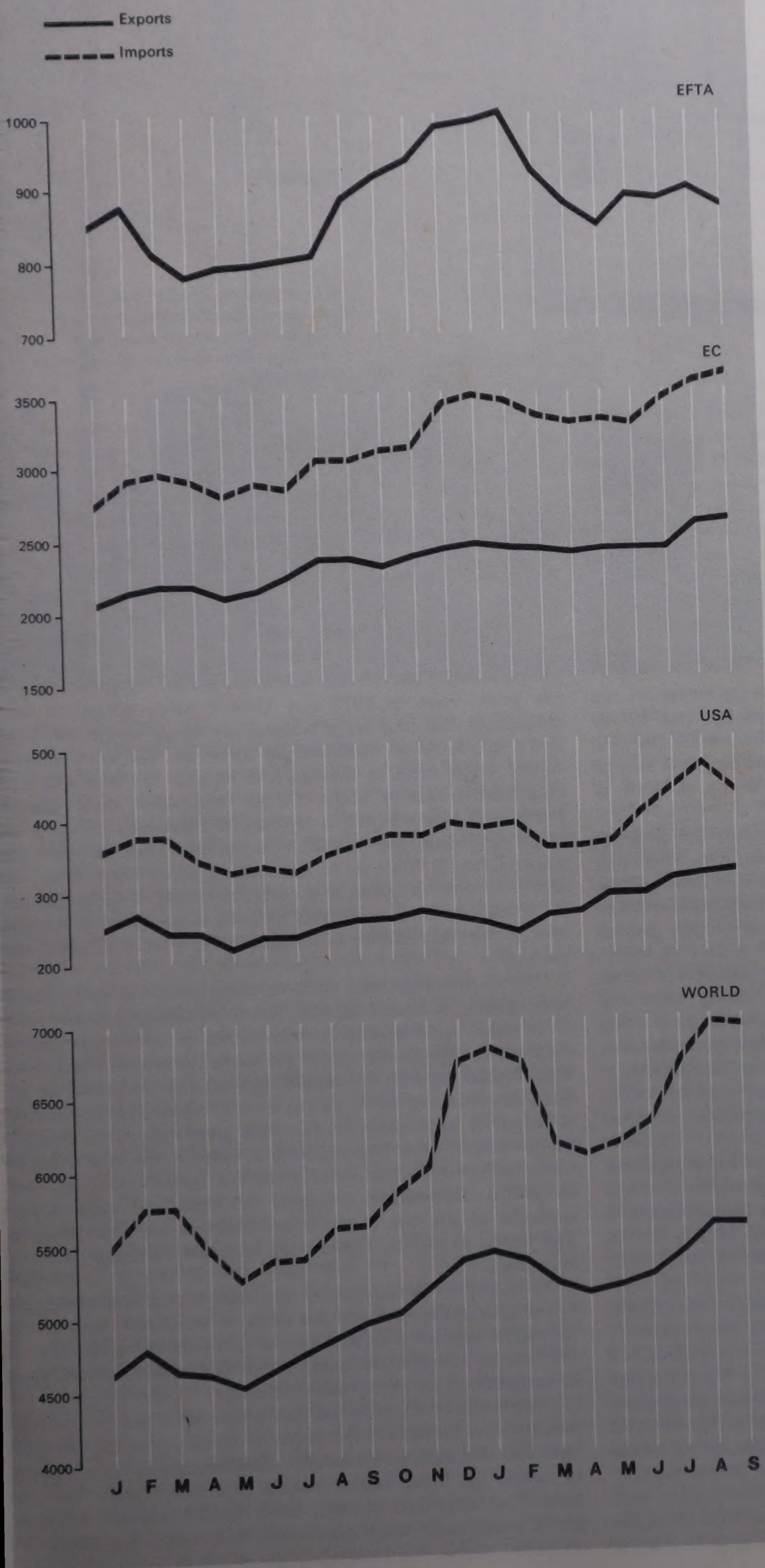
Table 4 EFTA trade in July, August and September 1977

(seasonally adjusted three months moving averages in million U.S. dollars)

	EFTA						EC						USA						World					
	Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)		
	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.
Austria	112.7	120.2	115.9	104.1	107.1	105.6	743.0	814.1	859.4	384.9	416.1	432.3	38.1	45.8	43.7	25.0	25.3	24.1	1,172.1	1,267.3	1,290.5	807.2	835.6	844.9
Finland	130.8	149.6	147.2	129.3	161.9	172.0	227.4	215.9	208.1	232.5	249.9	248.3	43.8	53.3	53.0	34.5	36.7	42.6	674.4	669.6	646.7	627.6	684.9	704.0
Iceland	8.1	9.5	10.2	6.7	11.3	28.7	23.8	25.7	24.6	12.1	13.8	15.0	4.1	4.2	4.7	12.6	15.7	16.7	49.9	57.4	54.4	35.6	42.6	48.3
Norway	291.1	325.8	358.6	132.0	141.3	130.2	524.9	552.3	548.0	407.0	463.6	404.1	60.1	67.7	60.0	39.1	34.3	38.8	1,187.1	1,252.4	1,252.7	797.6	910.9	827.1
Portugal	45.5	45.9	42.7	23.1	21.3	21.6	221.6	210.4	196.4	88.8	80.8	81.9	64.6	62.9	47.8	14.1	14.8	13.4	545.6	560.0	517.9	180.9	168.6	160.6
Sweden	245.2	284.6	282.3	334.4	396.4	346.4	757.1	763.5	799.7	674.4	715.4	729.2	115.7	119.2	120.0	81.8	83.9	83.5	1,542.1	1,572.2	1,557.1	1,502.5	1,482.2	1,467.2
Switzerland	109.1	122.3	122.5	150.3	153.6	160.1	948.2	1,025.2	1,063.1	618.3	659.2	710.7	104.5	110.4	101.0	101.6	103.2	97.5	1,457.4	1,583.9	1,607.6	1,384.7	1,467.0	1,526.8
EFTA	942.5	1,057.9	1,079.4	879.9	992.9	964.6	3,446.0	3,607.1	3,699.3	2,418.0	2,598.8	2,621.5	430.9	463.5	430.2	308.7	313.9	316.6	6,628.6	6,962.8	6,926.9	5,336.1	5,591.8	5,578.9

EFTA trade January 1976 to September 1977

Three months' moving averages of seasonally adjusted figures, in million US dollars



Gloomy prospects for Sweden's high-cost industries

By Mats Hallvarsson, foreign editor of Veckans Affärer

Three sectors of Swedish industry, one of them the shipbuilding industry, are in a critical situation, largely because of competition from low-cost producers in other countries

Throughout last year there was a progressive deterioration in the economic situation in Sweden. The slow-down in industrial activity continued. Foreign demand fell short of expectations. Business investment dropped. Structural problems in shipping, shipyards, steel and textiles worsened, leading to an acute crisis. The net profits of the corporations listed on the Stockholm Stock Exchange is now estimated at only a couple of hundred million kronor. This means a return on equity capital of less than half of one percent. The condition of Swedish industry's order books was very worrying with no upturn in the inflow of orders in sight. This could well mean a third consecutive year of shrinking order books.

The picture is of a country in a very severe recession, not to say economic crisis. Industrial production last year fell by over five per cent in volume, following declines of 1.7 per cent in 1975 and 0.6 in 1976. And for the first time since the second world war the Swedes are experiencing a fall in GNP of approximately 2 to 2.5 per cent.

A serious time lag has now arisen between the Swedish economy and those of the other industrial countries. Following the oil crisis Sweden chose to go its own way with an economic policy which diverged sharply from those pursued elsewhere in the OECD area, a policy that was eventually highly praised by the OECD economists.

By stimulating domestic demand it was possible to keep production and employment at high levels during 1974 and 1975 while the other industrial countries suffered their worst post-war recession. The idea was that Sweden would be able to jump over the recession and then use export-led growth to meet the international recovery that was expected for 1976-1977 with stocks full and a production apparatus in good competitive condition.

But the recovery never came as expected and the measures taken to keep up domestic demand, together with unrealistic price and income increases, rapidly led to a deterioration in the external payments position, to a deficit of 10.5 billion kr. in 1976. The deficit for 1977 is estimated to have been 16.1 billion kr.

The failure of this policy is also reflected in the figures for unemployment and prices. Owing to the devaluation of roughly ten per cent against the D-Mark in late August the rate of inflation has continued to rise and the figure for the whole of 1977 is estimated at 13.5 per cent, one of the highest rates in the OECD area. Unemployment is also finally rising as a result of production cutbacks which are now being forced upon the ailing industry. The latest figure is about two per cent or 78,000 people, some 16,000 more than a year ago. In addition to this visible unemployment a further 100,000 people are engaged in labour market retraining and another 25,000 in public work schemes. In both the second and third quarter of last year there were 45,000 fewer people employed in industry than in the corresponding period in 1976.

One of the main factors behind the troublesome situation is the weak performance of Swedish exports (exports amount to nearly one third of GNP). Despite a growth rate of almost 12 per cent in world trade Swedish exports increased by only 3.5 per cent in 1976, and last year failed to grow at all. Industry has evidently continued to lose market shares abroad.

The main reason is that Swedish products are overpriced because of the large increases in labour costs that have hit industry since 1974. After the improvement of profitability in the boom years of 1973 and 1974 industry agreed to large wage rises. The total wage bill grew by 40 per cent in 1975-76, while productivity increased by only six per cent, making hourly wage costs in industry the highest in the world. Last year wages rose by about 12 per cent, while there was no increase in productivity. To all this cost trouble for industry one could add that the Swedish krona was tied to the ever appreciating D-Mark up to late August when it was taken out of the "snake" and tied to a currency basket of 15 currencies.

Thus the overall picture for industry is very gloomy. A closer look at the main sectors of industry gives a more differentiated picture.

Three branches have become crisis industries and a fourth is on its way to becoming one. The *shipbuilding industry*—only three years ago the second in the world in terms of tonnage—has rapidly been priced out of the market. It is now a fact of life that South Koreans can build tankers just as good as the Swedish ones but 40 to 50 per cent cheaper. The nonexistent demand for large crude carriers—the speciality of the Swedish yards—has reduced order books to virtually nil for the bigger yards after 1978. The reaction of the government has been to form a state-owned company, AB Statsvarv, under whose umbrella all but one of the large shipyards are to be merged. The aim is to reduce capacity by forty per cent over the next few years.

The pattern is repeated in the case of the *textile* industry where production is being cut down in an orderly way within the framework of a newly formed state-owned company. In textiles the cause is the same, a home market relatively open to competition from low-price imports.

The crisis in shipping has had a domino effect on the steel industry and on the mining industry. Once again, the Swedish state has moved in and formed a company, partly state-owned, to rescue the three largest makers of ordinary *steel*. The two largest privately owned mills, Stora Kopparberg and Gränges, are to merge with the state-owned NJA which has continued to suffer losses. The new company is not expected to show a

profit before 1980. An annual growth rate of two to four per cent from 1975 to 1985 is forecast, resulting in a reduction in employment from the present 18,000 to 14,000. This is mainly due to the scarcity of orders from the shrinking shipbuilding industry and lost competitiveness, internationally, because of the relatively small size of the manufacturing units and the high labour costs.

The specialty steel industry faces a less gloomy prospect, but is still severely hit by the recession. The final figures for 1977 for the mills—small by international standards and unevenly spread out through the country, but with high standards of technology and quality—are expected to show a total loss of nearly 1 billion kr. Some of the 12,000 jobs in this sector will disappear, when the restructuring process, now started and supervised by the government, results in mergers, the closing down of uneconomical plants and product sharing. This process will take several years. Orders for the iron and steel industry are now down to 650,000 tons, the lowest figure since 1964 and the production level will be 20 per cent lower than in 1976. But the prospects for 1978 seems to be a little better. The companies anticipate an increase of four per cent in value and 9 per cent in volume.

The fourth branch that is nearing a crisis is the *mining* industry. The nationalised ironmining firm LKAB—in the 60s the price leader for iron ore in Europe—made a loss of more than half a billion kronor last year and is not likely to be able to reduce its losses in 1978. In spite of the slightly better steel demand in Europe in 1976 Swedish deliveries of iron ore were to more than 22 million tons compared with 33 million tons in 1974. The iron ore stocks held by the Swedish companies have risen to the record figure of 12 million tons, nearly half a year's production. Exports were even lower last year than in 1976, amounting approximately to 18 million tons. The situation is aggravated by a fall in prices of about 13 per cent. As a result of the devaluation of the krona the export volume is expected to increase by about 9 per cent in 1978. The same problem recurs: Swedish iron ore is losing ground in the competition with low cost deliveries from countries like Brazil.

To some extent this could also be said about that pillar of Swedish industry, the *engineering* industry. It is by far the biggest single sector, providing 40 per cent of total industrial production and almost 50 per cent of Sweden's exports, besides employing over one million people. Backed by government policy it accumulated stocks during the past two years while waiting for export demand to revive. In the middle of last year, it was estimated that altogether Swedish industry carried stocks worth the vast sum of 15 billion kronor. During the first half of 1977 the level of stocks was roughly unchanged and a liquidation is now taking place. This adjustment is reflected in continuing large production cutbacks, and only a modest increase in production can be expected in the next few years if inventories are to be brought down to the more normal levels. At the same time companies will try to increase lagging productivity—thus putting considerable strain on the labour situation in the industry.

The international recession is not the only cause of the large fall in foreign demand for Swedish manufactures. It is particularly true of the engineering industry that it has lost market shares on a large scale in the OECD area. Industry leaders point out that the difficult cost situation imposed on them at home has pushed up Swedish prices to something close to 15 per cent above those of their competitors. The volume of exports is continuing to fall and deliveries in the first half of 1977 were about 15 per cent lower than in the peak second half of 1974.

A survey conducted in the engineering industry last August showed that companies generally anticipated a price increase of seven per cent this year and a three per cent increase in output. This was before the 10 per cent devaluation of the krona. The Swedish Institute of Economic Research predicted a six per cent fall—an unusually large figure—in production in the engineering industry in 1977 and no increase in production

for 1978 when stocks would be run down. This will lead to a fall of 5 per cent in the number of hours worked this year.

The *forest-based industries* seem to have the brightest prospects at least in the long run. Investment activity has been high in this sector for most of the 70s; the manufacturing plants are large and very modern; and many of the companies are totally integrated, in the sense that to a large extent they control their own raw material resources. The sector plans to expand pulp capacity from 11.4 million tons to 12.6 million tons by 1982 and paper-making capacity from 6.9 million tons to 8.5 million tons. Provided costs and productivity can be kept competitive these industries stand a good chance of regaining lost market shares in coming years.

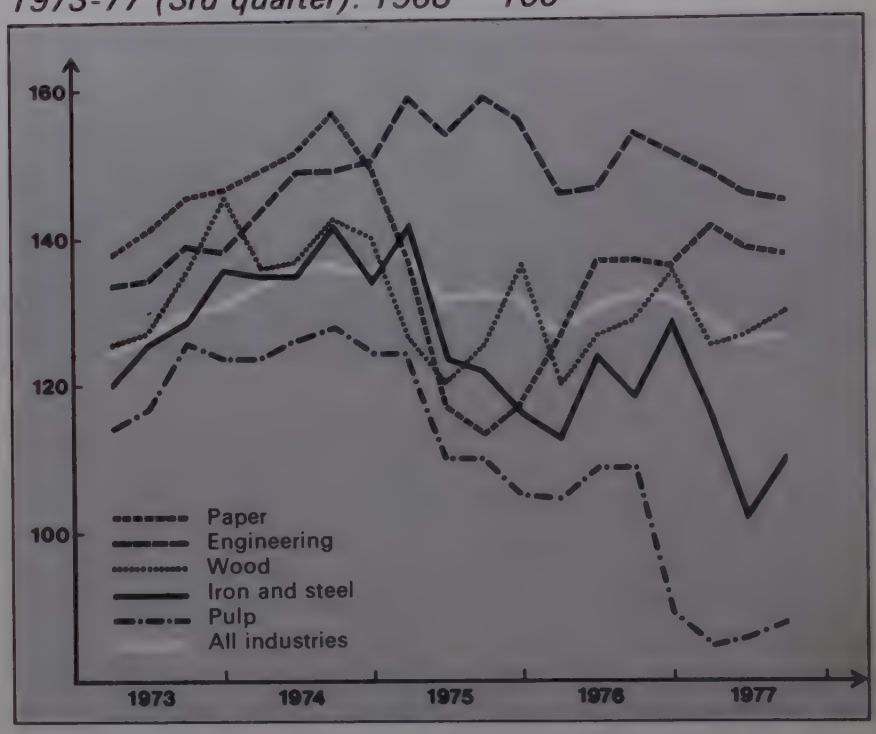
The last two years have been very difficult though. The three sub-sectors within the industry are very much export oriented and suffered greatly during the world recession in 1974 and 1975. In the first half of 1976 export demand expanded rapidly only to fall back again in the second half. Competition became extremely tough when the Swedish companies were forced to increase their prices as the result of costs at home and when producers from the Soviet Union and North America invaded traditional Swedish markets in Europe with surplus quantities at a time of falling demand in their own home markets.

The *timber mills* saw their export deliveries increase by 25 per cent in 1976 but then fall back by nearly the same amount during the first half of 1977. The price discrepancy was around ten per cent to the advantage of the two biggest competitors, the Canadians and the Russians, whose deliveries shrank less rapidly. The resulting loss of market shares could be regained if the devaluation of the Swedish krona is used to restore price competitiveness. The final fall in export deliveries is thought to have been only 8 per cent in 1977, and for 1978 the industry reckons with a increase of 10 per cent. This will enable the mills to expand production by 8.5 per cent this year.

Also the *paper* industry should be in a slightly better competitive situation this year. The official forecast of the Swedish Institute of Economic Research is a 20 per cent increase in exports this year, which should make it possible to achieve a 10 per cent upward swing in production. Behind this optimism lies the slow but steady improvement of the economies in the industrial world which should lead to recovery for the biggest products, newsprint and kraftliner. The increasing demand in the United States should also reduce the pressure from North American competitors in the traditional markets in Europe.

Swedish exports increased by 8 per cent in volume in the first half of last year. The latest official forecast for 1978 is an increase of 12 per cent.

Production indices for main sectors of industry 1973-77 (3rd quarter). 1968 = 100



Volume figures. Seasonally adjusted quarterly figures
Source: Götabanken and Swedish Central Bureau of Statistics

The *pulp* industry has been holding very large stocks for a long time and is operating at very low levels of capacity utilisation. The production level in the first half of last year was the lowest since 1963 and stocks amounted to 1.5 million tons, nearly equal to three months of full production. In spite of very fierce competition from North American producers and large losses in market shares the Swedish producers were unwilling to lower their prices, and export deliveries increased by only 4.5 per cent in 1976 while imports into the EC were rising by 14 per cent. Not until the first half of last year did Swedish prices go down and if prices now stabilize there is a good chance that the Swedish producers will be able to increase their exports this year. Production is forecast to increase by 5.5 per cent compared with a decrease of over 14 per cent last year.

The generally very depressed situation in Swedish industry will have its repercussions on investments. In a business survey made last August previous fears were confirmed that the investment propensity is diminishing. A volume decrease of 15-20 per cent for the whole of 1977 was forecast and the decline is very likely to continue this year. If this is a temporary slack the trend is perhaps not so alarming. In recent years investment activity has kept up relatively well by international standards, thanks to the use of counter-cyclical investment funds. ■

Fundamental problems remain for Portuguese industry despite rise in manufacturing output

By Francisco Sarsfield Cabral, economic correspondant, Portuguese Television

After falling in 1975 industrial production in Portugal began to increase again in 1976 and the upswing gathered speed in the course of 1977. The production index for manufacturing industries went down by 5.4 per cent in 1975 and then rose by 5.6 per cent in the following year. In the first half of 1977 there was a substantial rise, of 11.4 per cent in comparison with the corresponding period in 1976.

The experiences of particular sectors of industry have differed rather considerably. Thus in 1974 and 1975, when the world economic crisis, which reduced the foreign demand for Portuguese products, was at its most acute, and when Portuguese factories were seriously disturbed by the political situation of the time and domestic demand was rising as a result of the higher wages that followed the revolution of 25th April 1974, only the industries that were oriented towards the domestic market produced satisfactory results. This was the case, for example, for the food and drink industry which increased its output by 20 per cent in 1975. But last year its expansion was no more than 2.4 per cent.

But the inevitable consequence of a failure to increase productivity was that inflation eroded the gains derived from higher pay, and the domestic market ceased to stimulate industrial production. Nevertheless the improvement in the general economic situation, although unfortunately still very hesitant, and the growing political stability of the country made it possible for other sectors of industry to recover from 1976.

Examples of this revival are provided by the industries engaged in producing semi-manufactures and investment goods such as building materials. But the upswing was impeded by the low level of investment in the manufacturing industries where new fixed investment, though higher in 1976 than in the previous year, is still below the figures that had been achieved earlier. In addition, the strengthening of protectionist tendencies in international trade and the slightness of the economic recovery in Europe provide some explanation of the persistence of the crisis in the textile industry in which production in the first half of 1977 was 1.4 per cent lower than in the first six months of 1976.

The most recent survey of business conditions shows a certain decline in the demand for manufactures as a result of the government's austerity measures. The utilisation of capacity in the manufacturing sector remains low (76 per cent) and the volume of inventories is increasing, especially in the case of consumer goods. The situation seems a little better for investment goods.

Structurally, the characteristics of Portuguese industry are: productivity levels below those of the other EFTA countries, a small degree of independence in technological matters, a strong concentration of exports on a limited number of markets (mostly in Europe), a high dependence on the import of intermediate goods and investment goods, and finally a financing system that is scarcely satisfactory, with an excessive proportion of short term credits and a low level of self-financing.

Prospects for individual industries

The prospects vary from one sector of industry to another. The development of the *food industries* will certainly be affected by the need to reduce the deficit in the trade balance. In so far as they use imported raw materials—as in the case of some animal feeding stuffs—they are likely to find limits set to their growth; those that export (tomato concentrates, tinned fish products) will depend on the course of the world economy.

More sombre is the outlook for the *textile industry* which employs some 200,000 people and is to a large extent concentrated in certain regions: 97 per cent of the workers in the cotton textile industry are located in only two districts, Oporto and Braga. This is an industry oriented towards exports and particularly to European markets. Hence the anxiety with which Portugal looks at the fixing of limits on the import of textile products into the industrialised countries of Europe. Moreover recent wage rises have reduced the competitivity of Portuguese textiles while there are still structural reasons for the low average productivity of the industry. With the exception of some plants that are modern and of an adequate size the machinery and equipment is out-of-date and management leaves much to be desired. And it is highly probable that on the whole the manning levels are too high in this industry. In 1974 only 12 per cent of the factories employed more than 200 persons while 64 per cent employed less than 50.

In the *footwear industry* and the *fur industry*—both sectors which are particularly labour intensive and where productivity is low—there have been some interesting attempts at modernisation, with export markets in mind. In fact a real increase in exports of footwear is expected in the next few years.

The small size of most companies in the *wood, furniture and cork industries* is also an obstacle to any increase in productivity. There are however some firms of reasonable size in the plywood and chipboard industry as well as in the furniture industry. About 90 per cent of the output of the cork industry is exported, as is 30 per cent of the production of the wood industry. Of furniture, whether of wood or metal, there is scarcely any export.

Of the *pulp, paper, board and printing industries* the one which has the main role in exports is the pulp industry. Moreover it is thought that it would be appropriate to increase domestic production in this sector particularly by developing the production of pulp and paper simultaneously, which would lead to the establishment of integrated units in the paper industry.

While the small *rubber industry* depends greatly on the import

of its raw materials the chemical industries are already making a considerable contribution not only to exports but also, through the use of advanced techniques, to the general modernising of manufacturing industry. One might mention in particular the production of fertilisers, which account for almost a quarter of the output of the chemical industries. As yet there is no petrochemical industry in Portugal but one should be developed in the next few years, and it is hoped that it will make it possible for various industries which are stagnating at present to begin to expand. But during the first stage the petrochemical industry will have to solve the problem of marketing the excess output which the domestic market will not be able to absorb and which will therefore have to be exported.

The most prominent part of the *non-metallic mineral sector* is the cement industry. Its output has recently increased considerably though it has still been necessary to resort to imports because of the liveliness of demand. This derives from the big recovery in construction activity largely as a result of a multitude of small jobs, which are not in all cases in conformity with the law. As a result of the revival the utilisation of capacity in the non-metallic mineral industry has risen to 90 per cent on the basis of shift-working.

The high level of building activity is also one of the reasons for the growth recently experienced in the *basic metal industries.* The outlook for this sector depends very much on the expansion programme of the national steel company which at present can produce only half the steel required by the domestic market.

As for the *electrical engineering industry,* its growth in recent years has been insufficient. As a result manufacturing industry is greatly dependent on imports: some 40 per cent of industry's imports consists of parts and components. It should be mentioned that Portugal has already reached a high level not only in ship repairing but also in the production of certain kinds of heavy engineering: lifting and loading equipment, rolling stock for railways, hydromechanical equipment, and so on. In the light engineering industry, as in many other sectors of Portuguese industry, the main difficulties arise from the multiplicity of small firms and the lack of appropriate techniques. So far as electrical machinery and equipment is concerned there are a number of firms in Portugal which are owned by multinational enterprises and which specialise in the manufacture and export of parts and components for electronic purposes.

A recent industrialisation

To understand the problems facing Portuguese industry today it is necessary to take three factors into account: the way in which the country was industrialised in the 1950s and 1960s; the repercussions of the revolution of 25th April 1974 which were not simply limited to the level of business activity; and the effects of the world economic crisis.

In fact the industrialisation of the Portuguese economy is relatively recent. Only since the last war, and largely because it necessitated the production of substitutes for some imports, did industry begin to acquire importance. Vulnerable, it was protected from the outside world first by the war and then by tariffs. Since it looked for outlets in a market as limited as Portugal, it was not easy for it to develop a structure that would be efficient by international standards.

In addition the factories were not protected only against foreign competitors: a system of "conditions imposed on industry", which required authorisation from the state before any new investments could be made, shielded already established companies from possible competition from new companies that wanted to enter into the same branch of industry. Thus there was a capitalism supported by the state, often more dependent on the state than on the market and which constantly sought the state's support. This applied not only to economic matters but also in social life and in labour relations. The outlawing of strikes as well as intervention by the police spared the businessman and the company director the efforts normally demanded of their counterparts in other European countries.

Table 1 Industrial production indices

Annual percentage change

	1974	1975	1976	1977[1]
Manufacturing industry	+2	−5.4	+5.6	+11.4
Food industry	+2.9	+19.8	+2.4	+4.9
Textiles	+3.3	−21.4	+7.1	−0.3
Paper	+23.4	−4.9	+1.8	+9
Chemicals	+0.2	−5.2	+14.5	+10.7
Non-metallic minerals	+2.3	−2.4	+8.9	+15.5
Basic metal industries	−18	−22.5	+20.6	+7.2

[1] First half 1977/first half 1976

Table 2 Structure of manufacturing industry, as percentages of total in 1975

Sector	Employment	Gross output value	Gross added value	Exports	Imports
Food	11.5	22.1	12.5	8.9	14.0
Drink	1.4	2.0	3.3	1.0	0.2
Tobacco	0.3	1.1	1.6	0.05	0.05
Textiles, clothing	28.8	17.1	19.5	31.1	5.3
Wood and cork	7.2	4.0	4.5	9.7	0.3
Furniture	2.9	1.5	2.1	0.1	0.3
Pulp	0.7	2.0	2.8	5.6	0.3
Paper and board	2.0	2.3	2.2	2.6	1.4
Printing	3.1	1.6	2.6	0.3	0.6
Tanning, footwear	3.2	2.1	2.4	2.2	0.5
Rubber	1.1	1.2	1.4	0.6	0.9
Chemicals	4.7	8.2	7.5	8.1	15.4
Fertilisers	0.6	1.9	1.6		
Oil and coal derivatives	0.4	5.1	0.9	2.3	3.9
Non-metallic minerals	8.4	4.9	7.8	2.8	1.3
Cement	0.5	1.0	1.2	0.2	0.01
Basic metals	2.9	3.5	2.9	1.9	11.2
Metal products	5.1	3.7	4.6	4.0	3.6
Non-electrical machines	2.2	2.0	2.9	4.4	15.8
Electrical equipment	4.0	3.9	5.3	8.3	8.5
Shipbuilding	3.0	2.9	4.4	1.3	0.8
Transport equipment	3.1	3.7	3.2	1.0	11.6
Others	2.9	2.2	2.8	3.0	4.1
Total	100	100	100	100	100

Opening to the outside world

In these circumstances it was scarcely surprising that after the events of 25th April 1974 the economy was not at all prepared to cope with the end of a very authoritarian regime and the political and social upheavals that accompanied it. Even Portugal's involvement in the process of European integration through its founder membership of EFTA was incapable of bringing profound changes to its style of domestic economic policy. The "conditions imposed on industry" were not completely removed until October 1974.

During the 1960s, however, there was a real opening to the world, largely as a result of the country's membership of EFTA. This role was the source of a satisfactory expansion in industrial exports that was brought about at that time. Still, there were certain limits that reduced the effects which this opening out might have had on the modernisation and reconversion of the domestic structure of industry.

In this respect one should mention in particular the excessive concentration on increasing exports of a limited number of products—textiles, tomato concentrates, electronic parts, some engineering products and so on. Often, also, the initiative come from the customer abroad, so that the exports were not really the result of the active effort of the Portuguese producer himself. All of this led to an increased dependence and vulnerability in relation to foreign countries, as was to be made dramatically clear when the world economic situation worsened.

Nor did the opening up of the Portuguese economy lead to structural changes which, for the most part, were constantly postponed. With the exception of a small group of relatively modern factories that were well run and of reasonable size, Portuguese industry in April 1974 consisted of a vast number of small and scattered firms. The system of "conditions imposed on industry" was incapable of remedying this situation. The small firms were badly run and in many cases were able to survive only because of the low level of wages.

The dilemmas of industrial policy

To this situation the revolution of 25th April, while opening a path to a certain modernisation that at times was tumultuous, added several negative factors. Not the least of these was the uncertainty which it aroused about the economic model which the country should adopt, an uncertainty which has still not entirely disappeared. The very urgency of the problems, particularly financial, combined with that weakness of the state characteristic of times of political confusion, made it difficult to work out a long term strategy for the industrial sector.

There were several dilemmas. In the ten or fifteen years before the revolution of 25th April and the international economic crisis, industry in Portugal had been able to increase its output considerably. Nevertheless it was only the emigration —especially to other European countries—of almost a third of the active population that spared the country unemployment. Now, when this continent is practically closed to immigration, and when the population in Portugal has increased by all those who have returned from Africa, a new strategy for industrial growth is required.

It is tempting to argue that the policy of investing on a large scale in ventures that are capital intensive should be replaced by one which puts the emphasis rather on the creation of new jobs. But how could this be reconciled with the need to increase the output of most Portuguese industries in the perspective of an increasing integration in Europe at a time when in many factories there is a problem of underemployment?

Similarly, it is still not possible to decide what should be done about the possibility of adopting an active policy of import substitution. The domestic market is small and the choice of openness towards Europe has already been made, but the great difficulties facing Portugal on balance of payments grounds seem in some ways to favour such a policy now that the imperative need to reduce the external deficit is the main obstacle to a revival in business activity.

Nevertheless there has been progress towards the working out of a strategy that consists of establishing links with big European companies that are interested in investing in Portugal and capable of guaranteeing the necessary technology and the necessary markets for Portuguese products, particularly in the car and petrochemical sectors. This could well be the right path if the Portuguese economy, in the framework of a Europe to which the country intends to belong in full, is to gain from the support which foreign investors can give it without harming its national independence.

Photo:
Fishermen can continue to fish alongside this modern manganese alloy plant 50 kilometres south of Lisbon. The factory has an efficient anti-pollution system.

Economic indicators from the EFTA countries

AUSTRIA	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1971 = 100	Sept. 1977	121.5	+ 9.7	– 1.9
Building and construction					
Monthly production value	mill. Sch.	Aug. 1977	5,470.6	+ 1.2	+10.5
Retail trade					
Volume index of retail sales	1973 = 100	Aug. 1977	113.0	– 2.0	+12.2
Labour					
Employment index (a)	1956 = 100	Sept. 1977	128.2	– 0.4	+ 1.4
Unemployment	thousands	Sept. 1977	33.8	+15.1	0
Unemployment rate	percent of labour force	Sept. 1977	1.2	1.0(b)	1.2(c)
Prices					
Index of consumer prices	1976 = 100	Sept. 1977	106.2	– 0.2	+ 5.1
Index of wholesale prices	1976 = 100	Oct. 1977	102.0	+ 0.9	+ 2.0
Wages					
Index of wage earnings	1966 = 100	Sept. 1977	307.2	0	+ 9.0
Foreign trade					
Imports – value	mill. Sch.	Nov. 1977	23.049	+12.1	+13.9
Imports – unit price index	1971 = 100	Sept. 1977	136	+ 0.7	+ 3.0
Exports – value	mill. Sch.	Nov. 1977	14,395	+ 3.8	+ 3.3
Exports – unit price index	1971 = 100	Sept. 1977	131	– 3.0	+ 0.7
Exchange rate	Schillings per dollar	31 Dec. 1977	15.135	15.92(b)	16.7675(c)

ICELAND	Unit
Fish catch	
Volume	thousand tons
Production for exports	
Value	mill. Kr.
Labour	
Unemployment	number
Unemployment rate	percent of labour force
Prices	
Index of consumer prices (quarterly index)	1st Jan. 1968 = 100
Wages	
Index of hourly wages	1969 = 100
Foreign trade	
Imports – value	mill. Kr.
Imports – unit price index(d)	1972 = 100
Exports – value	mill. Kr.
Exports – unit price index(d)	1972 = 100
Index of terms of trade(d)	1972 = 100
Exchange rate	kronur per dollar

FINLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1970 = 100	Oct. 1977	134	– 0.8	– 1.5
Building and construction					
Buildings completed	mill. cub. met.	2nd quarter 1977	7.94	–12.6	–21.3
Retail trade					
Volume of cooperative retailing(a)	1972 = 100	Sept. 1977	109	– 1.8	– 7.6
Labour					
Employment	thousands	Sept. 1977	2,078	– 4.0	– 3.1
Unemployment	thousands	Dec. 1977	165	+ 7.8	+63.4
Unemployment rate	percent of labour force	Dec. 1977	7.5	7.0(b)	4.6(c)
Prices					
Index of consumer prices	1972 = 100	Oct. 1977	202.9	+ 0.3	+12.3
Index of wholesale prices	1949 = 100	Oct. 1977	703	+ 0.3	+ 8.2
Wages					
Index of wages and salaries	1964 = 100	4th quarter 1977	442	+ 0.2	+ 8.9
Foreign trade					
Imports – value	mill. markkaa	Nov. 1977	2,940	– 1.7	+19.4
Imports – unit price index	1975 = 100	3rd quarter 1977	122	+ 3.4	+16.2
Exports – value	mill. markkaa	Nov. 1977	2,840	+ 9.7	+20.1
Exports – unit price index	1975 = 100	3rd quarter 1977	130	+ 4.0	+19.3
Exchange rate	markkaa per dollar	3 Jan. 1977	4.000	4.1900(b)	3.7670(c)

NORWAY	Unit
Industrial production	
Volume index(a)	1970 = 100
Building and construction	
Buildings completed	thousand sq. metres
Retail trade	
Index of retail sales(a)	1975 = 100
Labour	
Unemployment	thousands
Unemployment rate	percent of labour force
Prices	
Index of consumer prices	1974 = 100
Index of wholesale prices	1961 = 100
Wages	
Index of hourly earnings (male workers)	1974 = 100
Foreign trade	
Imports – value(e)	mill. Kr.
Imports – unit price index	1970 = 100
Exports – value(e)	mill. Kr.
Exports – unit price index	1970 = 100
Exchange rate	Kroner per dollar

Notes:

(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

PORTUGAL	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index(f)	1970 = 100	Sept. 1977	165.8	+38.4	+17.0
Building and construction					
Building permits issued	number	3rd quarter 1977	19,097	+ 3.2	+18.1
Labour					
Employment	1968 = 100	3rd quarter 1977	106.3	+ 0.3	+ 0.6
Prices					
Index of consumer prices in Lisbon (housing excluded)	1963 = 100	Sept. 1977	453.8	+ 3.1	+28.6
Index of wholesale prices (Lisbon area)	1963 = 100	Sept. 1977	343	+ 5.2	+28.9
Wages					
Index of wages in agriculture (men)	1968 = 100	Sept. 1977	397.6	+ 2.4	+17.6
Index of wages in industry and transportation (Lisbon area)	1968 = 100	2nd quarter 1977	331.9	+ 3.0	+11.6
Foreign trade					
Imports – value	mill. Escudos	Sept. 1977	15,308.2	+ 5.2	+50.5
Exports – value	mill. Escudos	Sept. 1977	5,475.7	+30.3	+30.1
Exchange rate	Escudos per dollar	5 Jan. 1978	40.387	40.255(b)	31.549(c)

SWEDEN	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1968 = 100	Oct. 1977	139	+ 4.5	– 2.1
Building and construction					
Dwellings completed	thousands	Sept. 1977	3.9	+18.2	–18.8
Retail trade					
Index of retail sales	May 1970 = 100	Sept. 1977	198	+ 3.7	+ 9.4
Labour					
Employment	thousands	Nov. 1977	4,100	+ 0.3	0
Registered unemployment	thousands	Nov. 1977	78	–11.4	+25.8
Unemployment rate	percent of labour force	Nov. 1977	1.9	2.1(b)	1.5(c)
Prices					
Index of consumer prices	1949 = 100	Nov. 1977	444	+ 0.9	+12.4
Index of producer prices (manufactured products)	1968 = 100	Oct. 1977	212	0	+ 7.6
Wages					
Index of direct wages in mining, quarrying and manufacturing	1947 = 100	Aug. 1977	1,392.0	+ 1.0	+ 6.0
Foreign trade					
Imports – value	mill. Kr.	Nov. 1977	7,700	– 4.9	– 8.9
Imports – unit price index	1959 = 100	2nd quarter 1977	258	+ 5.7	+12.7
Exports – value	mill. Kr.	Nov. 1977	7,900	+ 1.3	+ 6.3
Exports – unit price index	1959 = 100	2nd quarter 1977	257	+ 2.0	+ 7.1
Exchange rate	Kronor per dollar	3 Jan. 1978	4.6675	4.7550(b)	4.1265(c)

Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Sept. 1977	94.5	–19.5	+56.1
Aug. 1977	11,906	n.a.	+184.1
Oct. 1977	221	+20.1	–27.3
Oct. 1977	0.2	0.2(b)	0.3(c)
1 Nov. 1977	945	+10.0	+30.0
1 March 1977	672.8	+ 8.7	+35.4
Oct. 1977	8,273.1	–15.7	+25.0
1st quarter 1977	179.7	+ 6.8	+ 8.6
Oct. 1977	8,236.3	+16.2	+12.8
1st quarter 1977	189.4	+12.4	+24.4
1st quarter 1977	105.3	+ 3.1	+14.5
31 Dec. 1977	213.10	212.00(b)	189.90(c)

SWITZERLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1963 = 100	3rd quarter 1977	145	– 2.7	+ 6.6
Building and construction					
Dwellings built	number	Nov. 1977	865	–39.4	–11.3
Retail trade					
Index of retail sales	1949=100	Oct. 1977	460.5	+ 5.7	+ 3.8
Labour					
Employment index	3rd quarter 1966 = 100	3rd quarter 1977	91.4	+ 0.2	+ 0.2
Unemployment	number	Nov. 1977	10,551	+23.5	–31.0
Unemployment rate	percent of labour force	Nov. 1977	0.4	0.3(b)	0.5(c)
Prices					
Index of consumer prices	Sept. 1966 = 100	Nov. 1977	168.8	– 0.1	+ 1.3
Index of wholesale prices	1963 = 100	Nov. 1977	146.1	– 0.3	– 1.0
Wages					
Hourly earnings of workers	S. Fr.	3rd quarter 1977	11.13	0.0	+ 2.1
Monthly earnings	S. Fr.	3rd quarter 1977	2,746	+ 0.5	+ 1.7
Foreign trade					
Imports – value	mill. Fr.	Nov. 1977	3,779.8	+ 2.2	+13.0
Imports – unit price index	1970 = 100	Nov. 1977	124.4	– 1.7	+ 2.0
Exports – value	mill. Fr.	Nov. 1977	3,932.1	+ 6.1	+ 9.7
Exports – unit price index	1970 = 100	Nov. 1977	131.1	+ 0.6	– 0.5
Exchange rate	Francs per dollar	6 Jan. 1978	2.025	2.113(b)	2.451(c)

Winter of the Finnish economy

By Jyrki Vesikansa, managing editor of Uusi Suomi

It is both easy and very difficult to write this contribution at this moment. Easy, because the trend of the Finnish economy has been very clear during the last few months; sharply deepening unemployment, zero growth, and bankruptcies; difficult, because although important decisions on economic policy have recently been taken, it seems clear that there will be new decisions after the presidential election.

Later—but deeper

In Finland, the recession following the energy crisis started later than in most OECD countries, and was perhaps deeper than in the bigger countries, and it seems to persist longer, too. Partly that is due to the structure of the Finnish economy, partly to the economic policy chosen by Finland.

In 1974 Finland was helped by the general raw material boom. After the oil crisis (and already before its climax) there was also a worldwide chase after paper, pulp and timber. Paper prices reached a completely new level: the average price of paper rose about 50% in 1973-74. It may be added that the profits of the paper industry did not grow with the same rapidity because the prices of newsprint in particular had developed over many years at a slower pace than production costs.

The forest industry—mainly paper, pulp, timber and board—still produces about 50% of Finnish exports. The raw material boom therefore helped Finland very much to bear the new oil prices. Import prices grew by 44% in 1974—but Finnish export prices also rose by 42%.

The other element in Finland's favour was the fact that (at that time) about two thirds of Finnish oil was imported from the Soviet Union. True, the Soviets apply the OPEC price, but the trade is strictly bilateral, and therefore the new price could be paid through rapidly growing exports of Finnish consumer goods and other products (clothing, textiles, etc.) to the Soviet Union. The trade between Finland and the Soviet Union was thus already balanced in 1976. The bottleneck is again the difficulty of finding enough Soviet import goods for the Finnish market.

The third factor helping Finland was the importance of the heavy manufacturing industry and shipbuilding in Finnish exports and in the economy as a whole. Production of "tailor-made" investment goods—especially paper machines—follow the general trend of the economy with a time lag—for better or worse. So the heavy metal sector reached its production peak as late as 1977—but the forecasts now look gloomy, too.

The recession started in earnest in Finland in late 1974—but "only" in the paper and wood industry, and few acknowledged its real impact. The volume of Finnish paper exports diminished by 30% in 1975—the volume of wood industry exports (timber, board, plywood) even more. The Finns tried, however, to go forward without taking too much heed of this fact. It was thought that a new boom for the paper industry would come quite soon.

Investment boom 1974-1976

At the same time there was a huge investment boom—also, and especially, in the pulp and paper industry. This was partly due to the forecasts made by the FAO and others which predicted a steadily growing demand for paper in the world, partly to Finland's free trade agreement with the EEC (1973)—and partly, perhaps, also to the Finnish taxation system.

Another important factor of the investment boom was the economic strategy. The OPEC-made extra bill for energy was exceptionally high for the Finnish economy—because of the cold climate, but especially because of the importance of the energy-intensive paper industry. The extra bill can be paid only through new production and through new investments, it was thought. This was made possible by taking huge foreign credits. The deficit of the Finnish exchange account rose therefore to nearly 5,000 million Finnish marks in 1974 and to the enormous total of 8,000 million marks in 1975.

The total Finnish foreign debt (net) was only about 5% of the GNP in the 1960s and rose to 10% by the beginning of the 1970s. In two years—from 1973 to 1975—it grew to 20% of the GNP. This was considered too high a figure. In March 1975 the Bank of Finland applied the brake in the credit market (both foreign and domestic) and the government introduced the first stabilisation programme.

Three years without growth

In the "real" economy, 1975 was the first year of practically no growth of the GNP—but wages went up 22% or, when the 18% inflation rate is taken into account, about 6% as real wage increases.

The pressure of inflation was thus high, although the effect of the oil prices was already past. The competitiveness of Finnish exports in the open world market was therefore rapidly declining—but people and the various organisations did not take it seriously enough as long as the employment rate was good.

And the employment situation was good up to the winter of 1977—partly because of investments, partly due to the good situation in manufacturing and shipbuilding exports, partly thanks to the policy of employers of not sacking workers. The last factor was not only—or not in the first place—altruistic; companies still remembered the lack of labour during the boom of 1972-1974 and did not want to lose their best workers now to the benefit of neighbouring Sweden or Norway. (There

has been a free labour market between the Nordic countries since 1954.)

Darkness everywhere

Today practically all facts look gloomy. The wood and paper industry is slowly recovering from the deep crevice of 1975—but production is still no higher than in 1971. As the forest industry has brought several new mills into operation, only 70% of its capital-intensive capacity has been in use. And when export prices sank further owing to the competition from American manufacturers as well as—after the devaluation of the Swedish krona—from Swedish companies, the total losses of Finland's main industrial sector were 2,000 million Finnish marks in 1976 and the final figure for 1977 will be equally high.

The sombre situation in the forest industry has had important repercussions in the Finnish countryside because most of the raw wood comes from forests owned by private farmers. Industry has lowered raw wood prices—and then the farmers will not sell. The forest income is an important factor in the economy because of its considerable fluctuations.

The heavy manufacturing industry is still busy with orders received in 1973-1974—but the number of new orders is low, in the shipbuilding industry practically nil in 1977. The international situation in the paper industry is so gloomy, too, that there is not enough demand for the paper machine manufacturers either.

The other sectors of industry have only a secondary importance. The views vary from one sector and company to another—but the average conclusion is: quite bad.

The chemical industry, which mainly supplies the domestic market, has faced only minor difficulties. There is surplus capacity in the government-owned oil refineries while the recession continues and for technical reasons petrol is being exported although there is some discussion about the profitability of these exports.

The textile and clothing industries produce mainly for export, and the high rate of inflation has created difficulties for them. In the home market there is also keen competition from suppliers in low-price countries. On the other hand the situation in the textile industry, as in other light industries, varies very much from one company to other. It is clear that Finland can not compete in the textile, furniture and glass markets mainly on the basis of prices but only in virtue of the quality of the products, and in particular on the design. There is however a need for a revival after a sluggish period.

The behaviour of the citizens did not change quickly. The rapid inflation even accelerated the consumption rate. Not until 1977 did consumption and, for instance, the volume of retail trade cease to rise and the savings rate start to grow.

Wage increases were limited to 12% in 1976 and about 9% in 1977. The pressure of inflation is, however, still strong. The government has tried to ease the situation of the unions by certain tax cuts—but, on the other hand, the total taxation rate grew from 37% of GNP to 42% of GNP within one year in 1976. The relationship between the pressure of taxation and inflation is widely discussed.

Table 1 Demand, imports and exports

	1975	1976[1]	1977[2]	1978[2]
	Changes from preceding year, %			
GDP and total demand				
GDP, volume	0.9	0.4	0	2
GDP, price index	15.3	10.6	11.5	8.5
Total demand, volume	0.8	–0.4	–0.5	1.5
Total demand, price index	13.8	9.7	12.5	8.5
Exports and imports				
Export demand factor[3]	–5.0	3.9	3.1	4.1
Volume of total exports	–14.0	13.7	8.5	5.5
Unit value of total exports	16.0	4.8	13.5	7
Volume of total imports	–0.1	–4.5	–3.5	0.5
Unit value of total imports	9.5	7.0	14.5	9
Volume of public demand	6.5	2.6	3	2.5
Wages and salaries	24.1	14.2	8.5	8.5
Volume of private consumption	3.7	0.0	–2	0.5
Private consumption, price index	16.9	13.7	13	10
Volume of private investment	7.0	–13.9	–7.5	–2.5

Source: The research institute of the Finnish economy (ETLA), autumn 1977.

[1] estimate – [2] forecast – [3] weighted growth of industrial production in 10 OECD countries.

Table 2 Employment

	1975	1976	1977	1978[1]
Percentage unemployed	2.2	4.0	6.0	6.8
Unemployment (in thousands)	51	90	133	150
Employment (in thousands)	2,221	2,154	2,095	2,073

[1] estimate.

One piece of good news

There is only one item of good news—and even this is only partial. Foreign trade showed a surplus in 1977. The volume of Finnish exports has risen about 20-30% since 1975—but is still below the level of 1973-1974. The terms of trade have worsened. The halt in the growth of the foreign debt is therefore primarily due to the decrease in Finnish investments (or in the imports of foreign investment goods).

The slowing down of investment—especially in industry, less in the building sector—is of course one way leading to increasing unemployment. Another factor is the low rate of use of existing industrial capacity. Companies no longer have financial resources to keep the "extra" workers. In the domestic trade and in other private tertiary sectors there is a massive cost pressure because of the solidarity among wage earners—whence a rationalisation boom, and ultimately few new jobs. In the public sector the high level of taxation sets a limit to the number of workers. The employment rate has been therefore worsening by 20,000 workers each month, according to the Minister of Labour Arvo Aalto, a Communist. This winter the number of unemployed may attain 200,000—or 8 to 9%.

Alternatives

It is generally admitted that there is an economic crisis, largely due to domestic factors. The question is what to do. And the first problem is the disparity between different goals in the economic policy.

In the first phase—which began in 1975—the main goal was to stabilize foreign trade and to stop the spiral of the growing foreign debt. This was achieved mainly by cutting investments through a strict monetary policy.

The second problem was domestic inflation and the competitiveness of the Finnish economy. The results are not very good. The inflation rate is going down, but more slowly than in most other OECD countries. The competitive position was, however, stable in 1977—but only with the help of two small devaluations which were both only reflections of the devaluations of the Swedish krona. The statistical competitiveness is, however, over 20% below the level of 1970—and that is too much in a situation in which world trade grows slowly, if at all.

The Government has tried to help the trade unions by decreasing taxation and by introducing other social policy measures. The two-year wage agreement for 1977-1978 is quite moderate and fixes the annual growth at about 7-8%. But even this seems to be too heavy for industry to bear.

On the other hand, the official programme of the government of Mr. Kalevi Sorsa (Social Democrat) has been—from its birth in May 1977—one of economic revival. The positive trade balance also gives some latitude—there are again possibilities of using more foreign credit. The problem is that in the present situation industry has very little interest in and even less financial possibility for investing. On the other hand, the government has no resources for revival through classical Keynesian methods.

So the practical policy of the "revivalist government" has been neutral or even deflationary. Last December the government managed, perhaps surprisingly, to agree about a package of economic measures which was accepted by parliament, and perhaps more surprisingly, approved by the trade unions. It is however generally admitted that this programme is not effective enough, so that it seems clear that there will be some new decisions after the presidential elections in January and February.

The main point in the new programme was to freeze the already collectively agreed wage rises, which should have come into effect this spring, for six months. Some social taxes on companies were again reduced. The workers lost perhaps nothing in real terms because their taxes were cut too, and the inflation rate should go down perhaps to 5 or 6 per cent as a result of the wage freeze. Price controls will be more severe.

The programme reduces companies' costs by more than a thousand million marks or about 1 per cent of gross national

product. Industry regarded this as inadequate, arguing that there should be bigger cuts in social costs and a devaluation of the mark by 5 or 10 per cent.

The programme will be largely financed by more foreign credits. There are however different views about the limits on taking more foreign credit. In the view of the central bank, even if trade is now roughly in balance a foreign indebtedness equivalent to 20 per cent of gross national product is very high.

Long-term perspectives

There is, of course, also the problem of longer perspectives. At the beginning of the 1970s the target was the broadening of the structure of the Finnish economy. "We must not stand on only one, wooden, leg", it was said.

Perhaps we realise, however, that the role of the forest industry is greater today than some years ago. The raw wood is, after all, a raw material—and even a recycling raw material. The tropical forests present, on the other hand, some problems; they grow much faster. The solution for Finland is perhaps to concentrate on raising quality and improving productivity together with the export of know-how and participation in foreign forest economies.

The shipbuilding industry has the same worldwide problems as other countries, even though Finland has concentrated on some special types of vessels. The paper machine industry is linked with the forest industry. Light industry has its own problems: Finland is quite distant from its main markets, the home market provides a very narrow basis for longer series, and in marketing the Finns have difficulties even because of their language.

The world market is, however, large for a nation of five million people, so the problem is to find the right products based on Finnish design or other special factors. And of course prices must not be too high.

Finland has some heavy process industry, too: oil refineries, steel plants, for example. The traditional lack of capital, high transport costs combined with high labour costs impose, however, limitations on the "newer" heavy industry, if it is not based on domestic raw materials or domestic know-how.

Assets

This article may sound too gloomy, although the Finns can normally be called too optimistic. The Finnish economy does have assets too. Its industrial plants are for the main part modern, even if productivity is not yet on the Swedish level. The infrastructure of the economy is modern, and the social and political base stable. The educational level is high. The position between East and West and an extensive know-how in Soviet trade is today an asset, if the Finns know how to use it.

So the Finns have, in the first place, to put their own house in order—taking account of the fact that the worldwide growth cannot continue in the way it has during the past few decades. ■

The role of international organizations in improving the working environment (III)

This concludes the description, begun in the November issue of the EFTA Bulletin and continued in December, of the activities of international organizations on matters concerning the working environment, in so far as they are known to the Bulletin.

General Agreement on Tariffs and Trade (GATT)

The activities of the General Agreement on Tariffs and Trade are mainly concentrated on trade matters. The multilateral trade negotiations now in progress devote attention also to non-tariff barriers. For some time a Code of Conduct for preventing technical barriers to trade has been discussed. The objective of the Code would be to ensure that standards and methods of enforcing them are not formulated or applied in such a way as to cause unjustifiable obstacles to international trade. To achieve this, the Code requires participants to use international standards as a basis for their national standards. It also urges adherents to participate fully in the preparation of different international standards. The Code further states that, except where the technical contents of a proposed national standard are substantially the same as those of an international standard, the adherents should take into account any reasonable comments on their draft standards that may be made by other participants. To ensure that all interested adherents have the opportunity to submit comments, it contains a notification procedure for national standards under preparation.

Inter-Governmental Maritime Consultative Organization (IMCO)

The Inter-Governmental Maritime Consultative Organization deals with technical aspects of international shipping, particularly from the safety angle. It has produced a number of important safety regulations concerning ships and their equipment, including the International Convention for the Safety of Life at Sea. The International Maritime Dangerous Goods Code and the Code of Safe Practice for Bulk Cargoes should also be mentioned. IMCO is responsible for convening maritime conferences and drafting international maritime conventions; it administers the International Convention mentioned above.

The World Health Organization (WHO)

The World Health Organization is concerned with the collection and dissemination of information on working environment. Emphasis is given to the health of workers through the application of public health measures in the fields of nutrition, environmental sanitation, mental health, health education, medical care and rehabilitation. The work of WHO is oriented towards the adaptation and simplification of methods used, inter alia, in the control of work hazards as well as in ergonomics. From information collected WHO establishes maximum permissible limits for exposure to occupational hazards. This activity dates back to 1967 when a Joint ILO/WHO Committee was set up for the purpose.

NON-GOVERNMENTAL ORGANIZATIONS

International Organization for Standardization (ISO)

The International Organization for Standardization is one of the main bodies engaged in the work on safety. In 1976 ISO comprised the national standards bodies of eighty-one countries. All Members of EFTA are represented (Iceland, however, only on a correspondence basis). ISO work covers virtually every area of technology, with the exception of electrotechnics which is the responsibility of the International Electrotechnical Commission (IEC). The work of ISO is aimed at the creation of world-wide standards. An international standard may be used by participating countries as such, or it may be implemented by incorporation in a national standard. ISO standards are not mandatory, but they are used for guidance by national standardization bodies. By September 1976, the work of ISO had resulted in about 3,000 international standards.

The technical work of ISO is carried out through committees, sub-committees and working groups, numbering about 1,600, of which 152 have committee status. Although the work has mainly been concentrated on the development of standards, attention has also been given to safety aspects. ISO's activities in the area of ergonomics, in which it has a separate technical committee, includes the preparation of:

— functional standards related to human factors in the operation or use of equipment, processes, products or systems;
— environmental standards related to the effects of physical factors of the environment on man;
— standards for ergonomic testing procedures and for processing ergonomic data.

ISO has also established a technical committee concerned with personal safety in the field of protective clothing and equipment. So far, the work of this committee has resulted in two international standards.

The European Committee for Standardization (CEN)

The European Committee for Standardization was set up in 1961 for the purpose of uniting the standards organizations in the EEC and EFTA countries with a view to ensuring that

the two groups of countries do not adopt different national standards. Its members are the national standards institutions of both EFTA and EC countries (with the exception of Iceland). The standards institution of Spain is also a member. CEN is organized in much the same way as are ISO and the IEC, and keeps in close liaison with them as well as with CENELEC. The aim of the work within CEN is, inter alia, the harmonization of standards established by its members and the creating of new European standards. These standards are published and may be adopted as national standards in the Member countries that have approved them. CEN deals only with precise and limited matters for which standards are urgently needed which can be developed within a reasonable length of time, provided that it is not feasible to do so in ISO. At present there is only one draft European standard with a direct bearing on working environment, namely the draft standard for mechanical safety of portable grinding machines.

The European Committee for Electrotechnical Standardization (CENELEC)

The European Committee for Electrotechnical Standardization is CEN's counterpart in the electrotechnical field. The members of CENELEC are national organizations of the EEC and EFTA countries (except Iceland). The aim of CENELEC is the same as that of CEN. CENELEC, however, pays explicit attention to the safety aspect and has worked out guidelines for the preparation of safety standards in respect of electrical products. The purpose of the guidelines is to protect the lives and health of users of electrical equipment. Individual standards specify the safety requirements for different kinds of electrical products in accordance with CENELEC's guidelines.

Apart from preparing standards, CENELEC also issues harmonization documents. They aim at harmonizing regulations in the EEC and EFTA countries by providing the technical contents for the national standards even if the harmonization documents are not adopted as such.

The International Electrotechnical Commission (IEC)

The International Electrotechnical commission (IEC) was created in 1904. The members are the IEC National Committees, one for each of the 42 member countries. The Commission maintains close co-operation with ISO: all questions related to the electrical and electronic fields are reserved to the IEC, the other subjects being dealt with by ISO. All EFTA countries, except Iceland, are represented in the IEC.

The technical work is entrusted to 188 technical committees and subcommittees. There are at present some 1,000 IEC Standards. These cover test methods, electrical and mechanical interchangeability, terminology, as well as safety matters, which are included in the activities of a large number of technical committees.

In this way the IEC has issued, for instance, the following publications in the safety field:

- safety requirements for mains operated electronic and related apparatus for domestic and similar general use;
- safety of household and similar appliances;
- electrical safety of office machines;
- safety of data-processing equipment;
- safety requirements for arc welding equipment;
- safety in electro-heat installations;
- general safety requirements for electric equipment used in medical practice (in course of printing);
- safety requirements for radio transmitting equipment;
- safety requirements for electronic measuring apparatus;
- electrical installations of buildings.

The IEC technical committee dealing with apparatus for explosive atmospheres has co-operated with the International Labour Organization (ILO) on a classification of hazardous areas. Furthermore, the IEC has recently issued a classification of electrical equipment with regard to protection against electric shock and has set up new technical committees for laser equipment and for electromagnetic compatibility.

International Commission on Rules of the Approval of Electrical Equipment (CEE/Arnhem)

The aim of the CEE/Arnhem is to define the conditions which electrical equipment in common use should comply with in order to protect the public against risks which may result from using equipment of poor quality. The CEE/Arnhem harmonizes, as far as possible, national safety regulations. It issues specifications that express the consensus of opinion of its members which are the competent authorities of twenty-two Western and Eastern European countries. All EFTA countries (except Iceland) are members. ■

EFTA industrial news

• The Portuguese firm *Lisnave-Navelink* which planned the construction of the shipyard in Bahrain of the Arab Shipbuilding and Repair Yard Company (ASRY) will be in charge of managing it for the next twenty years. The investment in the shipyard totalled 310 million dollars. A number of other Portuguese firms have also supplied equipment, including tugs and mobile cranes and bridges. Lisnave has also built on ASRY's premises a technical school which can accomodate 300 specialist workers a year.

• The Swiss firm *Ego-Kiefer,* of Altstätten, has recently developed a universal measuring instrument which is a real novelty so far as the measurement of windows is concerned. The "vetroscope" is made of plastic and is somewhat similar to a slide rule and can be used to determine very rapidly the thickness of the glass, the depth of the fillister and even the play of the grooves by means of a tongued gauge. It will be particularly useful for architects, joiners, building specialists, supervisors and caretakers.

• The Swiss firm *Ateliers des Charmilles* has recently made a new advance in the field of pump-turbines for hydro-electric power stations with the introduction of the Isogyre pump-turbine which combines on the one shaft a turbine rotor and a pump rotor which rotate in the same direction. Last September an Isogyre came into operation at the Austrian hydro-electric power station at Malta-Oberstufe in Carinthia, where a second installation will soon come into use. The Isogyre weighs 400 tonnes.

• For the first time *Iceland* is to supply Cuba with capelin meal—some 10,000 tonnes which will be shipped early this year.

• *Finnatom,* a company which was established by Finnish enterprises that make components for nuclear power plants, is to supply personnel air locks for the reactor containment of the Swiss nuclear power plant at Leibstadt. The equipment will be manufactured at the Järvenpää factory of Wärtsilä, a member of Finnatom. Similar air locks are to be supplied to the Olkiluoto nuclear power station which is to be built on the west coast of Finland.

• The consortium ISOT, a group of six Norwegian companies, is to construct a training centre for offshore oil activity in Vietnam. The contract reached with the Vietnamese Oil Directorate is worth 50 million kroner. Vietnam will use the money which Norway has provided for assistance aid to construct the centre. Work will begin as soon as an agreement has been signed between the two governments. The six companies are: *NKI Foundation, Petcon, Superkonstruksjoner, Marine Aluminium, North West Engineering* and *Wilco.*

• Against lively international competition the Finnish company *Lönnström* has obtained an order from Södra Skogsägarna (Sweden) for a chip conveyor system to be *installed* at the latter's plant in the south of Sweden. The order includes belt conveyors over 2 km. in total length as well as chip unloaders and screens. Installation work will begin this spring and continue until autumn 1979.

• The Finnish company *Strömberg* has won an order for six power stations to be installed in Iceland and linked to the 145 kW national grid now under construction which will cover the whole of the country.

• The Finnish company *Wärtsilä* has received an order for papermill piping from the Norwegian firm Union. The order covers planning, manufacture, assembly and installation, and is worth 4.5 million marks. The contract had been put out to international tender in which twenty companies competed..

From the Caribbean Cruise Line the company has also obtained an order worth more than 50 million marks for the lengthening of the passenger ship Song of Norway. A 25-metre section will be added to the ship's present length of 168 m. The vessel will be put into dry dock in a covered shipyard and cut into two. With the addition of the new prefabricated section in the centre the number of cabins will be raised from 379 to 537 and the number of passengers that can be carried will be increased from 880 to 1,196. The work which will begin in September will take twelve weeks.

▼ A lightweight electric car designed to carry one passenger only has been developed by the Swedish firm *Impuls Innovation,* of Järved. The car, which runs on three wheels, has an unladen weight of 350 kg, and standard storage batteries give it a range of 15 to 50 km. per charge. The 1.5 kW series engine permits rapid acceleration to a top speed of 30 km/h. The two front wheels are fitted with drum brakes while the single rear wheel is controlled by a special hand brake. The driver enters and leaves by a sliding door, and the seat is of the swivel type. The car was designed for handicapped persons but can also be used by postmen and inside hospitals.

• *Buhler Brothers,* of Switzerland, is to build a new concentrated food factory with an hourly capacity of twelve tons for the Marchtrenk plant of the Austrian firm Taco, of Graz. The design and construction of the new unit will be such that at a later stage capacity can be raised to 20 tons.

• A Swiss firm of engineering consultants—*Thora,* of Zurich— has obtained an order from the Greek Telephone and Telegraph Company for the organisation of a new administrative centre. It will initially comprise 3,500 work places spread over 423,000 m^3. Thora will plan all the work, internal traffic and filing systems and choose the interior architecture, technical installations and furnishings best suited to the various functions of the new centre. The order is valued at nearly one million francs in fees.

• The Finnish company *Valmet* is to supply the Dutch company Van Gelder Courantenpapierfabriek with a newsprint machine which is said to be the biggest on the continent. Using mechanical pulp, thermomechanical pulp and recycled paper, the machine will produce 150,000 tons of newsprint a year, or 30 per cent of the country's consumption. The order is worth 70 million marks. The company will design, manufacture and install the machine which will come into operation in autumn 1979.

• The Swiss group *Schindler* has recently taken over the Luxembourg firm Amlux which specialises in the marketing of lifts. This move will strengthen Schindler's position in the Luxembourg market where it has been operating for over 40 years. Amlux, which was founded in 1946, recently signed a 2 million Swiss franc contract for the supply of lifts for the new offices of the European Investment Bank in Luxembourg.

• The contract for the extension of the Saudi Arabian telephone system—including the installation within three years of a network with a capacity of 470,000 lines (exchanges, network equipment and buildings) as well as a five-year maintenance contract—was finally obtained by a consortium consisting of *L. M. Ericsson,* of Sweden, Philips, of the Netherlands, and Bell, of Canada. The total value of the contract is some 3,000 million dollars.

• The Austrian firm *Franz Kohmaier,* of Vienna, has obtained an order worth three million schillings for the supply of special chains for fork stackers.

• A three million schilling order for papermaking wires has been obtained by the Austrian firm *Hutter & Schrantz* from the People's Republic of China.

• CIT-Alcatel, part of the French CGE group, recently signed an agreement on Hertzian numerical directional radio links with the Finnish company *Telefenna,* joint subsidiary of Nokia and Televa which are both specialists in electronics, directional radio links and commutation. For the Finnish firms this agreement on marketing and manufacture under licence brings about an opening to the world market. Negotiations are taking place about other Nokia and Televa products.

First meeting of Committee of Members of Parliament of the EFTA countries

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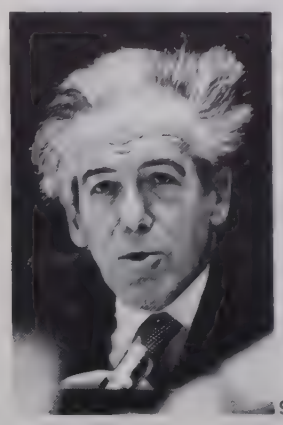
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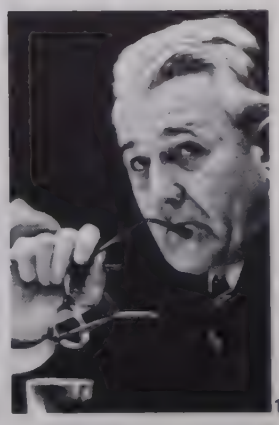
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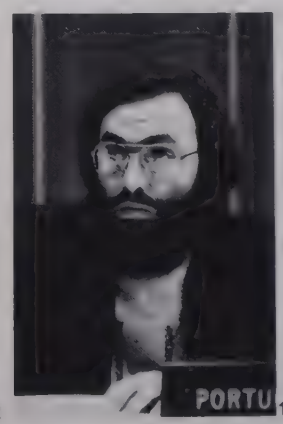

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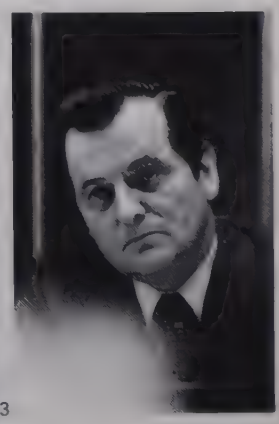
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Some of the Members of Parliament who took part in the first meeting of the Committee:

1. *Mrs. G. Girard-Montet, rad. dem., Switzerland, who was elected chairman of the Committee.*
2. *Mrs. A. Gradin, soc. dem., Sweden.*
3. *Mr. L. Pettersson, soc. dem., Sweden.*
4. *Mr. B. Molin, lib., Sweden.*
5. *Mr. A. Johanson, lab., Norway.*
6. *Mr. O. Olafsson, ind., and Mr. J. Helgason, progr., Iceland.*
7. *Mr. H. Holkeri, cons., Finland.*
8. *Mr. S. Radinger, soc., Austria.*
9. *Mr. A. Gautier, lib., Switzerland.*
10. *Mr. G. Schürch, rad. dem., Switzerland.*
11. *Mrs. M. E. de Melo, soc., Portugal.*
12. *Mr. J. Macedo Pereira, CDS, Portugal.*
13. *Mr. J. Cavalheira Antunes, com., Portugal.*
14. *Mr. K. Ritter, Vaterland Union, Liechtenstein.*

The Committee of Members of Parliament of the EFTA countries held its first meeting in Geneva on 25th November 1977.

The Committee, which will serve as a consultative body within the Association, was established on 14th October by decision of the EFTA Council at Ministerial level, acting on a proposal from parliamentarians who had previously been meeting in an informal manner.

Members of Parliament from all the seven EFTA countries, as well as Liechtenstein, took part in the meeting. They elected Mme. Gertrude Girard-Montet, a Swiss Radical Democrat, chairman of the Committee.

The present economic situation was the subject of a debate in which the Committee agreed on the resolution below.

The Committee took note with interest of the proposal made in the Consultative Committee to convene a West European tripartite conference on economic policies, full employment, prices and financial stability, and considered that such a conference could make a valuable contribution towards bringing about the concerted action necessary in the present difficult situation.

The Members of Parliament also reviewed the activities of the Association and approved the main lines of the strategy defined in Vienna by the heads of government of the EFTA countries, which coincided with the views formulated on a number of occasions at earlier meetings of EFTA Parliamentarians.

The Committee welcomed the assistance which the EFTA countries are giving to Portugal, and especially the work of the EFTA Industrial Development Fund for Portugal, as a means of strengthening its economy and so consolidating the country's democratic institutions.

After hearing a report from the Secretary-General of EFTA, the Committee expressed its interest both in the present negotiations for a multilateral agreement aimed at establishing free trade between Spain and the EFTA countries and in the current discussions designed to stimulate economic relations between EFTA and Yugoslavia.

Resolution of the Committee of Members of Parliament of the EFTA countries

The industrialised countries are still faced with the most severe unemployment situation since the 1930s. In OECD countries as a whole the total number of unemployed people now exceeds 17 million.

Forecasts for 1978 indicate that the growth rate of the economies will fall well below the targets of the OECD medium-term strategy. And the effects of this will, if nothing is done, be an even higher unemployment rate in the OECD area next year. In addition, protectionist tendencies are being felt in various sectors and have reached a disturbing level.

In order to bring down unemployment and to defeat protectionist tendencies, positive action is necessary in the industrialised countries. They should therefore agree on concerted measures to stimulate their economies. The big industrial countries with a good balance of payments position have a special responsibility and should take initiatives in this direction. ■

EFTA countries-Spain Progress in the negotiations

A fourth round in the negotiations for a multilateral trade agreement between the EFTA countries and Spain is taking place at the end of January and beginning of February.

The four working parties which are studying the technical aspects of an agreement all met to prepare for the plenary session. At the same time there were also bilateral discussions on trade in agricultural products.

The third round of negotiations, which took place in December, revealed that there were wide areas of agreement between the eight countries.

Decisions of the Councils: Consolidated text of the origin rules

A consolidated text of the origin rules has been in force in EFTA (and under the Free Trade Agreements) since 1st January. The text incorporates all amendments made since 1st April 1973 as well as certain changes necessitated by the revision of the international Customs Cooperation Council Nomenclature. No new changes of substance are involved.

The rules in this new form were put into effect by Decision of the EFTA Council No. 12 of 1977 and Decision of the Joint Council No. 4 of 1977, adopted at the simultaneous meeting of the Councils on 13th December. Decisions to the same effect so far as the Free Trade Agreements are concerned were taken in the middle of December by the Joint Committees established under the Free Trade Agreements between each of the EFTA countries and the EEC.

Since some time will be necessary for the publication by the national authorities of the new rules, it is assumed that both the old and the new rules will be applied in the first half of this year. But it is expected that this will cause no difficulties as the material content of the rules remains essentially unchanged.

Registration of pharmaceutical products

A proposal that national authorities responsible for the registration of pharmaceutical products should establish an international system for the exchange of reports on the evaluation of pharmaceuticals has been made in a submission to the EFTA Councils from an ad hoc group of experts on registration procedures.

If the proposal is accepted by the Councils, the system would apply, at least to begin with, to the EFTA countries, but the expert group also suggested that it should be possible for registration authorities in other countries to take part also.

The purpose of the system would be to overcome the difficulties that arise in trade in pharmaceutical products because of the differences in national requirements for the registration of pharmaceutical products.

The expert group proposed that the evaluation reports, which would be drawn up in each case by a national registration authority, would contain chemical, pharmaceutical, pharmacological, toxicological and clinical data about the products concerned together with the authority's evaluation of the data. The reports would be exchanged only with the consent of the manufacturer.

Established by the Councils in 1975, the expert group met nine times and studied the difficulties caused by the differences in national registration procedures, as well as the work being done on registration in the European Community and in other international organisations, before formulating their own proposal.

Reciprocal recognition schemes: Gas appliances

The national approval bodies participating in the reciprocal recognition scheme for gas appliances met in Geneva on 6th and 7th December. They agreed that it was necessary to establish closer contacts between national testing institutions and to increase the cooperation between these institutions and the approval bodies. They therefore decided to set up a small working group to examine thoroughly the possibilities of making better use of the scheme. The group will be composed of representatives of the Danish, Italian, Swedish and United Kingdom testing institutions and will hold its first meeting in Milan.

In the Nordic countries there are already close links between the testing institutions and the approval bodies which now meet twice a year, but this cooperation is made easier by the common use of Scandinavian languages which make the translation of national standards and regulations unnecessary.

The full texts of national standards and regulations are often available only in the language of the country in which they are in force. Since the requirements also differ considerably from country to country greater cooperation between the main authorities involved is necessary to extend the use of the scheme.

It was also agreed at the December meeting that the approval bodies would send a list of all their national standards and regulations to the Secretariat. It would then be possible to decide which standards and regulations most urgently need to be translated.

The reciprocal recognition scheme does not contain any international standards but enables approval bodies to accept the findings of tests or inspections on gas appliances carried out in other countries represented in the schemes. The participants are the approval bodies in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Free Trade Agreements: Joint Committee meetings

The Joint Committees established under the Free Trade Agreements held their half-yearly meetings on the following dates: Portugal-EEC 9th and 10th November; Austria-EEC 13th December 1977; Sweden-EEC and Switzerland-EEC 14th December; Iceland-EEC and Norway-EEC 19th December; and Finland-EEC 20th December. Each of these meetings, except those of Iceland and Portugal, was followed by a meeting of the corresponding Joint Committee for ECSC matters.

It was generally agreed at the meetings that despite the recession the Free Trade Agreements had continued to function well as a whole. Most of the EFTA countries drew attention however to the size of the deficits in their trade with the Community.

Two specific problems were raised by a number of EFTA countries. One concerned the licensing system for certain textile imports which came into force in Italy last October and which was regarded by the EFTA countries mainly concerned as a non-tariff barrier to trade. The Swiss Delegation in particular stated that the system was incompatible with Article 13 of the FTA which prohibits the introduction of new quantitative import restrictions. Substantial quantities of merchandise had been blocked at the Italian border and the demand for "technical attestations" caused considerable delays. (Subsequently the Italian authorities decided to simplify the surveillance system from 10th January on the basis of the FTAs.)

A number of EFTA countries also brought up the question of indicative ceilings for Community imports of certain sensitive paper products. The agreements provide for an annual 5 per cent increase in the ceilings but the increase is not automatic. Several EFTA countries expressed concern at the possibility that the ceilings would not be raised for 1978. They argued that their exports to the Community were creating no difficulties for Community manufacturers and that the progressive raising of the ceilings would make possible a smooth transition to free trade in paper products in conformity with the FTA timetable.

Book review

International Order for Public Subsidies, by Harald B. Malmgren. Thames Essay No. 11, Trade Policy Research Centre, 1 Gough Square, London EC4A 3DE. Eighty pages, £2.00.

That public subsidies,—both general investment incentives and specific aids to particular firms, industries or regions—are being more commonly used by governments is generally agreed. In this study Mr. Malmgren, an economic consultant who was President Ford's Deputy Special Representative for Trade Negotiations, argues that the proliferation of measures of public assistance poses a grave threat to the ground rules of international trade and concludes with an outline of some general principles which could "introduce some semblance of order in what is becoming an extremely disorderly situation".

The principles would include a prohibition of export subsidies, with certain specified types of exception, and provide for multilateral consultation, dispute settlement and surveillance of production subsidies under certain conditions. They would also require "specificity and transparency" in all measures of public assistance to industry. There would also be procedural mechanisms for developing "case law" in these matters in a multilateral framework. Mr. Malmgren suggests that these general principles could be embodied in a negotiated code of conduct as part of the GATT framework of rules. ■

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Rising production costs and structural problems cause difficulties for Norwegian industry

By Gunnar Jerman, Director, Norwegian Export Council

An assessment of the state of Norwegian industry today and its future prospects must necessarily take as a starting point a retrospective look at economic developments in Norway in recent years. After the onset of the downward trend in the international economy in the winter of 1974-75, developments in Norway have been somewhat different from the experience of most Western industrialized nations. Domestic demand has been high and the investment level very high, in fact higher than in any other OECD nation. This period has seen nearly full employment, with the exception of some scattered unemployment in exposed branches—but with a surplus of jobs in others. The growth rate of GNP has been above the average for the OECD area—3.5 per cent in 1975, 6 per cent in 1976 and an expected 4.5 per cent in 1977. The rate of inflation in the same period has varied between 9.1 and 11.7 per cent per year.

This special development in Norway is based on several circumstances. First of all, there is traditionally a certain difference in time between cyclical peaks and troughs in the world economy and in Norway. This stems from the composition of our exports, raw materials, bulk products and investment goods constituting a relatively big share. However, since the Norwegian economy is very export-oriented (about 43 per cent of production is intended for export) it is unavoidable that most parts of industry will gradually be affected. This the government has taken into special consideration in the planning of its economic policy. As the year 1975 progressed and it became increasingly clear that the international crisis could seriously affect parts of the Norwegian economy, the policy was gradually made more expansive. At the same time, a number of selective support measures have been implemented for the industries or companies hardest hit by the international setbacks. The unemployment situations which have occurred have been alleviated through various labour market measures. Oil activity in the North Sea has of course also been of special importance to economic developments in Norway. For one thing, the production of oil and gas and related products provides 25,000 jobs. Secondly, the prospects of increasing income from the oil and gas exports have enabled the government to finance the large foreign trade deficit (27 billion N.Kr. in 1977), thus contributing to the maintenance of the general level of activity.

The pre-condition for the relatively expansive Norwegian economic policy has been the assumption that the downward trend of the international economy would be of short duration, and that the growth which started in 1976 would be strengthened and lead to a broader and more widespread upswing in 1977. But, as we all know, this did not happen. Economic growth remained far below expectations. It has also

been unevenly distributed among the OECD nations—strongest in the US and Japan, which take 6.5 per cent and 1.0 per cent respectively of Norway's exports—and considerably weaker in Sweden, Denmark and Great Britain, which take 52 per cent of Norway's exports. In other words, the growth in the international markets provided very little in the way of growth impulses for the Norwegian economy in 1977. The prognoses indicate this may also be the case in 1978.

While our markets abroad have shown stagnation, increasing idle capacity and consequently intensified competition, the high level of activity in our internal economy has contributed to a sharp increase in production costs. Especially wage costs per unit of production in industry have risen more sharply in Norway than in most other OECD nations. This is not primarily a result of an above-average increase in Norwegian wages, but rather an effect of weak productivity development. This, again, goes back to the fact that Norwegian companies to a high degree avoid dismissing workers, even though such action would have had a favourable effect on their economic situation.

In addition to the rising level of production costs, the value of the Norwegian krone has increased over the last few years. In 1973 there was an average appreciation of the krone by 5 per cent, in 1974 by 6 per cent, in 1975 3 per cent and in

1976 one per cent. In the first three quarters of 1977 the exchange rate continued to rise, but as a result of fluctuations in the fourth quarter there was depreciation of approximately 5.1 per cent for the entire year.*

Gradually, the exposed industries have in this way come increasingly to feel the squeeze between weak export markets on the one side and a weakened competitive ability on the other. Consequently, exports have stagnated, not only because of the slow market increases, but also because we have lost market shares in all the major markets. All in all, the export volume dropped by about 5 per cent in 1977. The volume of Norwegian imports increased about 6 per cent, and several exposed industries also lost shares of the domestic market. Industrial production showed no gains as compared to the previous year. Since 1974 there has been a widespread and heavy stockpiling both by Norwegian export industries and by those producing for the domestic market.

This development is general and widespread in Norway, and it is safe to say that the domestic cost development now is a major problem for all of our industry. Great efforts will be made by the authorities and the partners in the economy to bring it under better control in the years ahead. Already, economic policy has been made less expansive. The upcoming wage negotiations will have a decisive impact on future developments. But even if we were to succeed in reducing the rate of increase in production costs, it will be some time before this affects our competitive ability. Our competitors will still have sizeable idle capacity, and it will continue to be difficult to get a share of the relatively weak growth anticipated for our chief markets, all of which points towards a rather slow development for industrial production and exports in 1978.

However, as with developments so far, the future prospects will also differ considerably from one industry to the other. All industries share the production cost problem, but they may be more or less exposed and while some industries may suffer from profound and long range structural problems, others again are less affected, and seem rather to be faced with "normal" short range economic fluctuations. The structural problems are particularly strong in *shipping*. Even with a normal increase in world trade, the present surplus of both tankers and bulk ships all over the world is expected to last for a long period. In addition to the problems resulting from this surplus, Norwegian shipping, most of which is engaged in transport between third countries, is threatened by curtailments imposed on international competition in a number of areas. Industrialized developing countries have imposed a requirement that a larger

* On Friday, 10th February, the Norwegian krone was devalued by 8 per cent.

The finding of oil on the Norwegian continental shelf is bringing about considerable changes in the Norwegian economy. A number of traditional industries—like the building of ships and the processing of timber, illustrated on the opposite page—are experiencing great difficulties while the aluminium industry (centre) has been increasing its exports. The exploitation of the oil resources has led to the creation of new industrial activities (page 6) such as the building of oil drilling platforms and a petrochemical industry. The wet gas cracker shown on page 6 will be based on gas from the Ekofisk field in the North Sea. The photo on page 3 shows men at work on an oil platform in the North Sea.

share of their trade should be carried in their own ships, the big oil companies are increasing their own tanker tonnage, the state trading nations have expanded their capacity, etc. As a result, the area of free competition for the type of shipping operated by Norwegian ship owners is gradually being reduced, at least in terms of tonnage. This, in turn, has led to a sharp drop in investments in ships, and no general expansion is foreseen for this sector for some time, even though opportunities will continue to be good for certain spacial trades.

Directly related to the crisis in international shipping are the problems of the *shipbuilding* industry. Also here the main problem is one of over-capacity. A regaining of market balance will require a diminution of the shipbuilding capacity of several of the traditional shipbuilding nations. Norwegian shipyards provide about 34,000 jobs, and in 1977 represented a production value of about 9 billion Norwegian kroner, or about 8.5 per cent of total industrial production. In addition, there are various sub-contractors providing another 12,000 to 15,000 jobs. The export share of the shipbuilding industry is about 35 per cent. A number of the yards in recent years have switched from traditional shipbuilding to the production of platforms and other equipment for the offshore industry. This has become a very important diversification at a time of decline of new shipbuilding contracts. A mere 60 per cent of the yards' capacity is now being used for building new ships. It is particularly this part of the total capacity which has to be reduced. For some time now also the offshore market has shown signs of stagnation, at least for the platforms. But there is good hope that Norwegian yards will be able to increase their share of the total deliveries for North Sea activities.

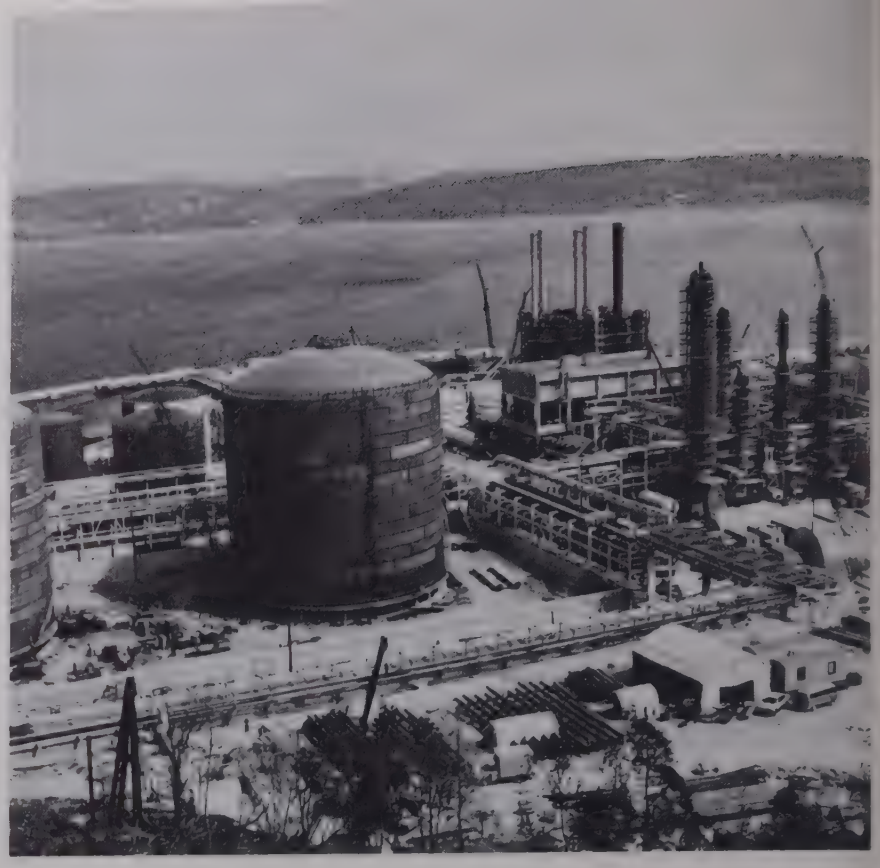
The *iron and steel* industry is also feeling the impact of international structural problems. Norway's steel imports are three times larger than its export, which would mean that our economy as a whole is not so strongly affected by the market crisis. Nevertheless, the problems are very real and serious for a few companies which employ a total of 5,000 to 6,000 people, and are of major importance to their local communities. Production is mainly concentrated on ship profiles and steel reinforcement, 70 per cent of which is exported. The most recent actions taken by the ECSC can further compound the problems for these companies.

The seriousness of the steel crisis, so far as Norway is concerned, lies quite as much in the indirect effect it has on related industries, especially the *ferro-alloy* industry. This branch employs about 5,000 people and the companies are located in areas with few, if any, alternative job opportunities. The production value in 1975 was about 2.4 million kroner, but has dropped considerably since then, both in 1976 and 1977. No less than 90 per cent of production is for export, most of it to the European steel industry. Prospects are dim for the ferro-alloy industry, at least in the short run. But even if expansion will be difficult, this is an industry for which there is expected to be a basis in Norway also in the future, despite changes in the structure of the international steel industry.

The *aluminium industry* has experienced a far more favourable development recently than has the rest of the metal industry. Employing about 7,000 persons, the industry increased the value of its exports by about 20 per cent in 1977. Market prospects look good, in both the short and the long run. The trend towards a greater use of aluminium for lighter products for the automobile industry, the construction industry and elsewhere is expected to continue. Over the long run, however, scarcity of energy may impose restrictions on the industry which will mean that to a great extent expansion must come as a result of increased productivity and further processing.

The Norwegian *pulp and paper* industry employs about 15,000 persons. In addition there are jobs in related industries, primarily forestry. The industry's annual production value is about 4 billion kroner, of which 75 per cent is for export, for the most part to European nations. This industry has had market problems ever since the downward economic trend started in 1974, as a result of an unexpectedly slow increase in demand for paper. At the same time the declining dollar rates have attracted North-American producers to the European market. The Norwegian krone's appreciation, relative to the Swedish krone and the Finnish mark, has also created problems. Capacity utilization now varies between 40 and 50 per cent in chemical pulp and 70 per cent in paper and cardboard, which is insufficient for profitable production at today's prices. There is no sign of improvement in the near future. And in view of the large stockpiles it will probably take some time before an increase in demand affects prices and production. Looking beyond this, however, there is no doubt Norway can and will maintain an integrated wood products industry, considering—among other things—the national resources available, although further *expansion* in the long run may be hampered by scarcity of wood and hydroelectric power. Recently, the final approval was given for the construction of a modern chemical pulp plant that will more than cover Norway's domestic needs. Also in other branches we shall probably see new investments and structural changes, continuing to make the whole wood products industry more effective and modern.

The *textile and clothing* industry employs slightly over 20,000 persons with a large share of female labour. As in most other industrialized nations, this industry is competitively very exposed. In recent years an increasing share of the domestic



market has been lost because of textile imports. Considerable efforts have been focused on maintaining the level of production through modernization and specialization. But this industry also is affected by profound international structure problems, whose solution probably will imply a further decrease in the number of jobs in the years ahead.

The Norwegian *engineering industry* has concentrated on production of equipment for ships, as well as machinery and other products for the development of power supplies, heavy industry and telecommunications. Once a small industry for the most part supplying the domestic market, in the course of the last two decades it has grown to the point at which it represents 30 per cent of total industrial production in Norway and an almost equally large share of exports. 1977 was a difficult year for most of the industry, and the prospects for 1978 are not particularly bright either. But the situation varies considerably within this sector. As mentioned earlier, the shipbuilding industry finds itself in an international structural crisis that will drag on. This automatically affects the manufacturers of *equipment for ships*. In addition to deliveries to the Norwegian shipyards, the industry exports about 50 per cent of its production. Even though the Norwegian yards so far have avoided extensive reductions of their level of production, the equipment manufacturers are hard hit by the international crisis. However, looking ahead, there is still cause for optimism for this sector, which to a great extent is based on high technology, specialization, product development and quality. Even if there is a reapportionment of the world's shipbuilding capacity, for example in favour of certain developing countries, there is reason to believe that there will be a future for an independent equipment industry, based on exports. In addition, there are great promises and challenges for the development and production of equipment for the offshore industry.

The *foundry industry* is strongly affected by the shipping crisis. This is a labour-intensive sector which is more directly affected by cost developments than are other parts of the engineering industry. Capacity utilization has dropped below 70 per cent, and the order reserves are very low. All of which gives little cause for optimism in the near future.

The *electro-technical industry* has also seen a stagnation recently, especially on the export markets. This is particularly true for the heavy part of the industry, reflecting the low level of investments in most of the large industrialized countries. Thus there is little likelihood of any improvement unless there is an increase in industrial investments. However, the sizeable idle capacity in the OECD area gives little cause for optimism in this respect. But for other products of this industry a favourable growth is expected in both domestic and foreign markets. Increasing deliveries can also be expected in connection with the development of the continental shelf.

The *petroleum-based* industry (petrochemicals and refining) will see a considerable expansion as new industrial plants are completed and put into operation. With the completion of a third oil refinery in 1975, total *refining* capacity reached 12 million tons of crude a year, while domestic consumption equals 8 to 9 million tons a year. Now also the *petrochemical* plants at Bamble are in operation after a construction period of four years and an investment of almost 5 billion kroner. The first in operation was the ethylene plant. Later this year, plants for vinyl chloride, chlorine-alkaly, polypropylene and low density polyethylene will come into use, while the final one—the high density polyethylene plant—will be in operation early in 1979. All the production will be based on wet gas from the Ekofisk field in the North Sea. Market prospects for refined and petrochemical products are perhaps not especially favourable at the moment. Nevertheless, this sector, using raw materials from the North Sea, will be one of the most expansive of Norwegian industries in the future.

Up from a mere 0.3 million tons in 1971 *oil production* on the Norwegian continental shelf reached 13.6 million tons in 1977. In September last year came the first regular deliveries of natural gas from the Ekofisk and Frigg fields, reaching a total of 2.5 billion cubic metres by the year's end, and bringing the total Norwegian North Sea production up to 16.1 million tons of oil equivalent. Of the 35 finds made so far on the Norwegian shelf, only the Ekofisk and Frigg fields are in commercial production. The Statfjord field, which looks like the biggest Norwegian find to date, will be in production in 1979 or 1980. A total of 30 billion kroner has so far been invested on the Norwegian continental shelf (exclusive of exploration)—all south of the 62nd parallel. Output is expected to climb to 60-70 million tons of oil equivalent in 1980 and 75 million in 1985. Total exploitable reserves on the Norwegian shelf south of the 62nd parallel are expected to be around 3 to 4 billion tons of oil equivalent. Production from these resources and from related activities must be assumed to represent the most expansive elements of our industry and economy for a long time ahead. ■

ndustry in Iceland is becoming more diversified

By Haraldur J. Hamar, Editor in chief, Atlantica and Iceland Review

With sophisticated fisheries as the key foreign exchange earner and with one-fourth of its labour force employed in various manufacturing and service industries, Iceland might well seem a developed country. But by ordinary standards of today, such is hardly the case; the economy is not industrial—not in the same sense as those of the neighbouring nations. Even in per capita terms, Iceland's manufactured output shows up poorly against the others. It should be pointed out, however, that in economic parlance here fish processing—a relatively advanced business—is by tradition kept distinct from industrial activity.

Since fish processing is thus excluded, it is customary to speak of three categories of industry in Iceland—construction, manufacturing (the two providing work for roughly equal numbers) and service-oriented production (employing considerably fewer than each of the others). All three branches have seen a good deal of expansion in past decades—and this despite assorted handicaps, both natural and policy-related.

Vulnerable to competition from imports

Circumstances in Iceland are in many ways hostile to industrial developments, but at the same time there is an urgent need to make the economy more diversified. As a consequence of its mid-Atlantic location, the country is far from both export markets and supplies of imported wherewithals for production. Because of the smallness of the population domestic demand has obvious limits. And aside from fish, raw materials are scarce locally. There is not much we can mention on the positive side except a large hydro and geothermal energy potential. Yet diversification is a must: Iceland is self-sufficient in fish, meat, wool, dairy goods, some types of garden produce—and in only a handful of other things. It is unusual—and undesirable—for a modern nation to depend so heavily on imported consumer goods.

Given the overall picture, Icelandic manufacturing is surprisingly varied; new home-made items are always appearing. But, inevitably, the production is on a small scale and thus quite vulnerable to competition from imports. If in the past there was extensive tariff sheltering, the policies, however well meant, were a mixed bag and often inadequately coordinated. Symptomatic, for instance, was that enterprises had to pay high duty on machinery and raw materials. Yet a number of far-seeing industry leaders—chiefly using native raw materials—have managed to export sizable volumes in the last few years.

The biggest problem facing Icelandic manufacturing in the early phase of its development was consumer resistance at home. One cause of this was the instinctive scepticism of buyers offered unknown brands, but, to tell the truth, the

packaging designs often left much to be desired—which did nothing to help matters along. An easily explainable shortcoming, what happened was the joint result of scant experience and tight budgets. Let it be said, however, that packaging has now improved to the point that Icelandic-made goods no longer look drab, even when stacked next to gaudy foreign rivals.

Recently, Icelandic manufacturers launched a concerted drive to publicise the vital role of the industrial sector for the national economy. But while the promotion campaign—a barrage of reminders to consumers that they should buy Icelandic when at all possible—no doubt brought results, none expected this to solve all problems.

Difficulties of long-range planning and economic forecasting

In compliance with Iceland's accords with EFTA and EEC, protective tariffs are being phased out gradually. Diverse policies have been adopted to ease the transition, to get domestic enterprises ready to weather the full onslaught of competition. A widespread view in manufacturing circles is, nonetheless, that the challenge will be trying, and that more accommodation is urgent. As for the larger issue, there would seem to be a national consensus—that the clock cannot be set back; that Iceland must not cast a blind eye on changes in the international market structure, least of all realities on the continent of Europe. To put it even more bluntly, few would deny that liberalised trade will upgrade the performance of domestic industry—in the long-run, at any rate—and make it more competitive.

Its growing pains notwithstanding, Icelandic manufacturing is of enormous significance today—and is destined to become even more important. Although the exports are modest, production for the domestic market is already saving large sums in foreign exchange and giving livelihood to many. But the real challenge of the industrial sector is still in the future; its envisioned role is nothing short of absorbing much of new additions to the work force. For the primary sectors—fisheries and agriculture—are unlikely to need many extra hands, even though their outputs are rising.

In any evaluation of the state and prospects of Icelandic manufacturing, we must address ourselves to one very dismaying factor. It is the country's rampant inflation—a trend plaguing the economy for several decades, almost without interruption. This circumstance and its attendant evils—declining currency value and uncertain credit outlook—act as impediments to long-range planning and economic fore-

casting. In a word, what we referred to may be the worst obstacle on the path toward enhanced manufacturing performance.

We should now turn to the promise held out by Iceland's ample energy potential, that of rivers and geothermal areas, which could supply cheap electrical power for industrial use. But the prerequisite is ambitious harnessing and factory construction, both calling for foreign participation, at least initially. With regard to this, experience shows that aluminium smelting, the only sizable energy-intensive operation here so far, has brought few direct benefits for light manufacturing. Nor has it had much effect on the overall employment picture: large industries of the type rarely do. And even if developments in this sphere were to be boosted to international scale, shipping over long distances would still be a handicap.

An enviable reputation for quality

Most probably, therefore, the structuring of Icelandic manufacturing in the near future will have to be that of relatively small production units geared to the demands of the home market—where, by the way, shipping costs of competing imports can be turned to advantage. Limited output will have to hold its own against mass-produced items. If it is a formidable task, the rewards are commensurate: continued full employment and reduced outflow of foreign exchange.

In certain activities, the cards would seem to be stacked in favour of Icelandic industry—and we could cite here shipbuilding, repairs on fishing vessels, machinery and gear for the fisheries, and other services of related nature. Up to now, most new additions to the fishing fleet have been bought from foreign shipyards—among other things because more liberal credits were available that way. But with the present emphasis on ocean conservation through less intense fishing effort, it is to be hoped that domestic enterprises will get an increasing share of what business there is.

Returning once again to the export situation, we must compliment one branch of Icelandic manufacturing—the woollen industry—on having blazed a trail. Time was, and not long ago at that, when a large portion of the considerable output of wool was shipped as raw material for others to process (and the same was true of sheepskins, incidentally). No more. Practically all Icelandic wool is today worked at home into clothing and fabrics—items lucrative markets have been found for, on both sides of the Atlantic. What is even more impressive, these exports have won an enviable reputation for quality. The fibre was a good one to start with, but much of the credit must be given to the dedicated effort to come up with a selling product—offerings spanning the range from traditional to modern designs.

This success is bound to be emulated by others wishing to develop limited exports along similar lines. We wish them the best, while at the same time reaffirming that Icelandic manufacturing as a whole is indispensable for the country, whether or not it ever becomes a prime foreign exchange earner. ■

The export of fish and fish products is Iceland's best-known industry but a greater variety of manufacturing industries is now supplying the domestic market and in some cases—clothing being the most notable—also contributing to the growth of the country's exports. Photos Imynd, Reykjavik.

The role of CEN in harmonising standards in Europe

By Jan Ollner

Mr. Ollner, who is Director of the Swedish Standards Institution is immediate past President of the European Committee for Standardization (CEN).

In Western Europe the removal of technical barriers to trade has become more important as the significance of other obstacles such as quotas and tariffs has diminished. As stated in the January/February 1976 issue of the EFTA Bulletin many governmental and non-governmental organizations have taken up the task of tackling this problem and there are also several ways of dealing with it. One way is known as "reference to standards". This implies that certain general criteria relating to the performance or safety of a product are laid down by the responsible governmental body and that these criteria are then supplemented by reference to particular standards established by international or regional standards bodies.

Both the EEC and EFTA have endorsed the use of "reference to standards" and this has emphasized the importance of the work to produce harmonized European Standards, carried out by the regional standards bodies in Western Europe i.e. the European Committee for Standardization, CEN, and the European Committee for Electronical Standardization, CENELEC.

Aim of CEN

CEN is an association of the national standards bodies of 15 countries from the EEC, EFTA and Spain. Its aim is to promote the development of trade and the exchange of services primarily by

— harmonisation of Members' standards and creating of European Standards
— making available to the EEC Commission, EFTA and other governmental organizations, European Standards to which they can refer in their directives or other instruments.

Harmonization in the electrotechnical field is not the concern of CEN but that of its sister organization CENELEC.

Policy of specialization

The policy of CEN is to specialize in precise and limited subjects for which standardization in Western Europe is clearly and urgently needed and which can be developed with intensive, concentrated work and which it is not feasible to complete on a global level in the International Organization for Standardization, ISO. If a subject is already being studied in ISO the CEN work will be directed to complementing and implementing ISO work.

Following from this policy the present priorities of CEN are either standardization projects initiated by mandates and requests which, according to CEN's statutes, may come from either the EEC or EFTA or standardization projects which aim at a unified and harmonized implementation in Western Europe of existing ISO standards.

Cooperation with the EEC

According to Article 100 of the Treaty of Rome, the European Economic Community programme for the elimination of technical barriers to trade aims at "the approximation of such provisions laid down by law, regulation or administrative action in member states as directly affect the establishment or functioning of the common market". In order to fulfil these obligations the EEC institutions have adopted the policy of legislation with reference to standards where feasible and have called upon the European standards bodies, CEN and CENELEC, to support Community requirements in this respect.

The EEC Council has adopted a time-table for the realization of the programme for the elimination of non-tariff barriers and both CEN and CENELEC are endeavouring to match the Community requirements for the production of relevant standards for directives. This means that whenever a specific mandate for a standards project is given to CEN or CENELEC by the Commission a target date for the completion of the standardization work is agreed upon.

Benefits for EFTA

A large part of the CEN work follows upon demands and requests from the Common Market. The question therefore arises to what extent the EFTA countries can benefit from the CEN work. It must be stated that all efforts inside the Common Market to eliminate technical barriers to trade and to harmonize technical regulations are also of great concern to the EFTA countries, since there is an extensive trade between the two blocs. It is therefore of great importance that the EFTA countries are members on equal footing with the EEC countries in CEN and that they have the same rights and opportunities to take part in and to contribute to the CEN work as the EEC countries. Through CEN the EFTA countries can therefore not only make use of the technical harmonization work inside the Common Market but also influence it.

Consequently an active participation in the CEN work and a loyal support of CEN from the side of the EFTA countries is of great importance.

The CEN development

CEN has not always had an active attitude to its regional standardization work. When it was formed in the beginning of the 1960s the main purpose was to build a bridge between the EEC and EFTA. It was felt at that time that even if tariff barriers would remain between the two blocs it would be disastrous if non-tariff barriers were to be built in Western Europe as a consequence of regional efforts in either of the two blocs. The

first phase in the history of CEN is therefore characterized by agreements to refrain from any regional standardization work but to promote and to rely upon the global standardization within ISO. The whole-hearted support for the truly international work in ISO is still valid and CEN work is always meant to complement and implement ISO work rather than compete with it.

The second phase started when the Community initiated its efforts to eliminate technical barriers to trade. At that time CEN began to advocate that the principle of "reference to standards" should be accepted and at the end of the 1960s both the EEC and EFTA approved the principle as one of the methods to be used in the work for harmonizing of regulations.

The third phase of CEN's work began when the Commission requested specific European Standards to refer to in its directives. To meet these demands CEN had to organize a machinery for the production of European Standards and to reconsider its policy and priorities. This phase is now ended and the CEN work is actively proceeding in 50 to 60 Technical Committees coordinated by a Technical Coordination Committee and supported and guided by an efficient Central Secretariat in Brussels. Up till now 50 European Standards and 75 less binding harmonization papers, the so called Unification Documents and Reports have been published. In the pipeline are more than 125 draft standards and unification reports.

Problems to be solved

CEN is now entering the fourth phase of its history—the production phase during which comprehensive results in the form of European Standards and Unification Reports are to be expected. However there are still difficulties and obstacles of a delaying and hindering character in the work of CEN. These difficulties stem mainly from the fact that an affirmative vote on a European Standard means the commitment from the side of the CEN member to publish it as a national standard in its own country.

Therefore it is difficult for any CEN member to vote in the affirmative unless full backing has been obtained on the national level from all interests concerned such as manufacturers, users and authorities. This very often implies that the discussions and the consensus solutions aimed at in the CEN Committees tend to take more time than allowed, thereby endangering the target dates agreed with the EEC Commission. Some of the problems discussed in the technical committees may sometimes also be related to legal provisions in the different member countries which means that they cannot be solved by compromises within the CEN framework. Alterations in regulations on the national level may be needed before results can be obtained in CEN and it is not always possible for CEN or the national standards bodies involved to achieve such national concessions. A step-by-step technique to be applied in such cases seems to be to finish the CEN work for the time being when the target date elapses and to issue a Unification Report recording not only agreed solutions but also the unsolved problems. It is then possible for the Commission to act on the unification report and to try to pave the way for ultimate agreements through its own channels, e.g. on the political level. When this has been done the CEN work can be resumed and a European Standard adopted.

One way to facilitate results in the work of CEN is to secure adequate representation at technical committee meetings. CEN members must see to it therefore that their delegations consist not only of industrial experts but also of governmental experts and representatives of the end-users and consumers. In this connection attention is called also to the recommendations of the EFTA Council in May 1975 to the EFTA Governments to contribute to the work in CEN and CENELEC and to encourage government services to take part in this work on both national and international level in order to make wide use of the results and to secure that due regard is paid to the views of governments on, for example, security and consumer and environmental matters.

Summary

In view of the important advantages offered by the use of the method of "reference to standards". CEN—together with CENELEC—is able to play an important role in the technical harmonization work in Western Europe. For this purpose

— CEN is determined to introduce and maintain an efficient management of its technical work.
— CEN emphasizes that a permanent dialogue and collaboration should take place on the national level between standards bodies and governmental authorities in all cases where their interests are involved.
— CEN—adhering to a mutual agreement—is ready to elaborate European Standards on requests of and in close collaboration with the EEC Commission.
— CEN wishes to maintain the existing liaison arrangements with EFTA and is also ready to respond favourably to proposals from the EFTA Secretariat that come within the scope of CEN. ■

Economic indicators from the EFTA countries

AUSTRIA	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1971 = 100	Oct. 1977	130.0	+ 7.0	+ 2.9
Building and construction					
Monthly production value	mill. Sch.	Sept. 1977	5,770.2	+ 5.5	+13.8
Retail trade					
Volume index of retail sales	1973 = 100	Sept. 1977	120.0	+ 6.2	+ 7.1
Labour					
Employment index (a)	1956 = 100	Oct. 1977	128.1	0.0	+ 1.4
Unemployment	thousands	Oct. 1977	48.7	+44.0	+ 6.4
Unemployment rate	percent of labour force	Oct. 1977	1.7	1.2 (b)	1.6 (c)
Prices					
Index of consumer prices	1976 = 100	Oct. 1977	106.7	+ 0.4	+ 5.0
Index of wholesale prices	1976 = 100	Nov. 1977	102.1	+ 0.1	+ 2.0
Wages					
Index of wage earnings	1966 = 100	Nov. 1977	307.2	0.0	+ 8.6
Foreign trade					
Imports – value	mill. Sch.	Nov. 1977	23,049	+12.1	+13.9
Imports – unit price index	1971 = 100	Oct. 1977	137	+ 0.7	+ 1.5
Exports – value	mill. Sch.	Nov. 1977	14,395	+ 3.8	+ 3.3
Exports – unit price index	1971 = 100	Oct. 1977	137	+ 2.3	+ 2.3
Exchange rate	Schillings per dollar	31 Jan. 1978	15.25	15.135 (b)	17.00 (c)

ICELAND	Unit
Fish catch	
Volume	thousand tons
Production for exports	
Value	mill. Kr.
Labour	
Unemployment	number
Unemployment rate	percent of labour force
Prices	
Index of consumer prices (quarterly index)	1st Jan. 1968 = 100
Foreign trade	
Imports – value	mill. Kr.
Imports – unit price index(d)	1972 = 100
Exports – value	mill. Kr.
Exports – unit price index(d)	1972 = 100
Index of terms of trade(d)	1972 = 100
Exchange rate	kronur per dollar

FINLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1970 = 100	Nov. 1977	136	+ 1.5	– 0.7
Building and construction					
Buildings completed	mill. cub. met.	3rd quarter 1977	10.23	+16.8	+ 6.5
Retail trade					
Volume of cooperative retailing(a)	1972 = 100	Sept. 1977	109	– 1.8	– 7.6
Labour					
Employment	thousands	Oct. 1977	2,070	– 0.4	– 2.0
Unemployment	thousands	Dec. 1977	165	+ 7.8	+63.4
Unemployment rate	percent of labour force	Dec. 1977	7.5	7.0 (b)	4.6 (c)
Prices					
Index of consumer prices	1972 = 100	Dec. 1977	204.1	+ 0.2	+11.9
Index of wholesale prices	1949 = 100	Dec. 1977	705	0	+ 7.0
Wages					
Index of wages and salaries	1964 = 100	4th quarter 1977	442	+ 0.2	+ 8.9
Foreign trade					
Imports – value	mill. markkaa	Dec. 1977	3,048	+ 7.3	– 7.8
Imports – unit price index	1975 = 100	3rd quarter 1977	130	+ 4.0	+19.3
Exports – value	mill. markkaa	Dec. 1977	3,155	+ 7.3	+20.9
Exports – unit price index	1975 = 100	3rd quarter 1977	122	+ 3.4	+16.2
Exchange rate	markkaa per dollar	3 Feb. 1978	4.004	4.000 (b)	3.8310 (c)

NORWAY	Unit
Industrial production	
Volume index(a)	1970 = 100
Building and construction	
Buildings completed	thousand sq. meters
Retail trade	
Index of retail sales(a)	1975 = 100
Labour	
Unemployment	thousands
Unemployment rate	percent of labour force
Prices	
Index of consumer prices	1974 = 100
Index of wholesale prices	1961 = 100
Wages	
Index of hourly earnings (male workers)	1974 = 100
Foreign trade	
Imports – value(e)	mill. Kr.
Imports – unit price index	1970 = 100
Exports – value(e)	mill. Kr.
Exports – unit price index	1970 = 100
Exchange rate	Kroner per dollar

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

PORTUGAL	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index(f) .	1970 = 100	Sept. 1977	165.8	+38.4	+17.0
Building and construction					
Building permits issued	number	3rd quarter 1977	19,087	+ 3.2	+18.1
Labour					
Employment	1968=100	3rd quarter 1977	106.3	+ 0.3	+ 0.6
Prices					
Index of consumer prices in Lisbon (housing excluded)	1963 = 100	Nov. 1977	443.7	+ 1.3	+18.8
Index of wholesale prices (Lisbon area)	1963 = 100	Oct. 1977	350	+ 2.0	+25.9
Wages					
Index of wages in agriculture (men)	1968 = 100	Sept. 1977	397.6	+ 2.4	+17.6
Index of wages in industry and transportation (Lisbon area)	1968 = 100	3rd quarter 1977	541.9	+ 3.1	+13.3
Foreign trade					
Imports – value	mill. Escudos	Nov. 1977	17,517	+33.6	– 7.5
Exports – value	mill. Escudos	Nov. 1977	7,998	+26.3	+54.3
Exchange rate	Escudos per dollar	3 Feb. 1978	40.253	39.855(b)	32.355(c)

SWEDEN	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1968 = 100	Nov. 1977	137	– 1.4	– 3.3
Building and construction					
Dwellings completed	thousands	Oct. 1977	4.0	– 4.8	– 7.0
Retail trade					
Index of retail sales	May 1970 = 100	Sept. 1977	199	+ 3.6	+ 9.9
Labour					
Employment	thousands	Dec. 1977	4,094	– 0.2	– 0.1
Registered unemployment	thousands	Dec. 1977	77	– 1.3	+26.2
Unemployment rate	percent of labour force	Dec. 1977	1.8	1.9(b)	1.5(c)
Prices					
Index of consumer prices	1949 = 100	Nov. 1977	444	+ 0.8	+12.8
Index of producer prices (manufactured products)	1968 = 100	Nov. 1977	213	+ 0.4	+ 7.7
Wages					
Index of direct wages in mining, quarrying and manufacturing	1947 = 100	Aug. 1977	1,392.0	+ 1.0	+ 6.0
Foreign trade					
Imports – value	mill. Kr.	Dec. 1977	7,800	+ 0.8	– 4.3
Imports – unit price index	1959 = 100	2nd quarter 1977	258	+ 5.7	+12.7
Exports – value	mill. Kr.	Dec. 1977	7,900	– 0.9	+12.6
Exports – unit price index	1959 = 100	2nd quarter 1977	257	+ 2.0	+ 7.1
Exchange rate	Kronor per dollar	3 Feb. 1978	4.6600	4.6675(b)	4.2695(c)

Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Oct. 1977	108.2	+14.5	+121.3
Sept. 1977	8,826	–25.9	+59.6
Nov. 1977	461	+108.6	– 1.1
Nov. 1977	0.5	0.2(b)	0.5(c)
1 Nov. 1977	945	+10.0	+30.0
Nov. 1977	12,198.5	+47.4	+37.9
1st quarter 1977	179.7	+ 6.8	+ 8.6
Nov. 1977	7,103.7	–13.8	+10.5
1st quarter 1977	189.4	+12.4	+24.4
1st quarter 1977	105.3	+ 3.1	+14.5
31 Jan. 1978	218.60	213.10(b)	191.00(c)

SWITZERLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1963 = 100	3rd quarter 1977	145	– 2.7	+ 6.6
Building and construction					
Dwellings built	number	Dec. 1977	905	+ 4.6	–21.1
Retail trade					
Index of retail sales	1949=100	Nov. 1977	506.8	+10.1	+ 4.9
Labour					
Employment index	3rd quarter 1966 = 100	3rd quarter 1977	91.4	+ 0.2	+ 0.2
Unemployment	number	Dec. 1977	11,566	+ 9.6	–33.5
Unemployment rate	percent of labour force	Dec. 1977	0.4	0.4(b)	0.6(c)
Prices					
Index of consumer prices	Sept. 1966 = 100	Dec. 1977	169.0	+ 0.1	+ 1.1
Index of wholesale prices	1963 = 100	Dec. 1977	145.5	– 0.4	– 1.6
Wages					
Hourly earnings of workers	S. Fr.	3rd quarter 1977	11.13	0.0	+ 2.1
Monthly earnings	S. Fr.	3rd quarter 1977	2,582	+ 0.5	+ 1.7
Foreign trade					
Imports – value	mill. Fr.	Dec. 1977	3,542.9	– 6.4	+ 2.5
Imports – unit price index	1970 = 100	Nov. 1977	124.4	– 1.7	+ 2.0
Exports – value	mill. Fr.	Dec. 1977	4,034.6	+ 2.6	+18.7
Exports – unit price index	1970 = 100	Nov. 1977	131.1	+ 0.6	– 4.0
Exchange rate	Francs per dollar	6 Feb. 1978	1.963	2.025(b)	2.517(c)

Population trends and labour resources in Sweden

By Ingvar Holmberg,
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In the international perspective, Sweden has always been a country characterized by a very low population growth rate. Even in the 19th century, when growth was at its highest level, it seldom exceeded one per cent per year at an average. Natural increase was considerably higher; during some decades of the 19th century it was more than three times the actual growth. The latter fact may be explained by overseas migration which reached its maximum level during the second half of the 19th century.

The population trend today

After the second world-war Sweden was transformed from a country with net emigration to a country with net immigration on an increasing scale. During the post-war period migration has come to play an important part in the population increase of Sweden. It has been estimated that immigrants and their descendants constituted three quarters of a million of the total population in 1975. In other words, immigrants became an important share of total population increase during the post-war period. This is so in spite of the fact that this period witnessed the large baby boom in the 1940s and the somewhat smaller baby boom in the mid 60s.

In 1967 the beginning of a completely new trend in the population development of Sweden was observed. The most remarkable change is the rapid decrease in the number of marriages contracted in agreement with common law and practice and a change-over to unions in the form of consensual marriages. The decrease in the number of marriages was later followed by a drop in the number of births. Table 1 shows the number of births and marriages in recent years.

Table 1
Births and marriages 1966-1976

Year	Births	Marriages
1966	123,354	61,101
1967	121,360	56,561
1968	113,087	52,291
1969	107,622	48,357
1970	110,150	43,278
1971	114,484	39,918
1972	112,273	38,636
1973	109,663	38,251
1974	109,874	44,864
1975	103,421	44,103
1976	98,228	

Decrease in fertility is the main cause of the ageing of populations during this century. In the Swedish case ageing means an increase in the proportion of old people from around eight per cent at the beginning of this century to almost fourteen per cent today. Ageing at the apex of the population pyramid is also accompanied by a displacement of the age-distribution in the labour force towards higher ages, as is shown in Table 2.

Table 2
Relative shares of two age groups within the 20-64 age bracket

Year	20-44	45-64	Total
1900	66	34	100
1960	55	45	100
1975	59	41	100

Changes in the labour force

According to the 1960 census the total labour force was slightly above 3.2 millions; in 1975 the number had increased to 3.5 millions. In other words approximately 55 per cent of the population over sixteen years of age belong to the labour force. In the period 1960-75 300,000 men and women were added to the labour force, thus keeping the percentage of economically active persons almost constant. However, behind these figures lies a striking transformation of the structure of the economically active population. In 1960 eighty per cent of the men above the age of sixteen were economically active, while only thirty-three per cent of the women were in the labour force. The corresponding percentages for 1975 are 68 per cent and 42 per cent respectively.

The transformation is even more striking if the total figures are broken down by age as in Table 3.

Table 3
Labour participation rates in 1960 and 1975 for selected ages

	Year				Maximum	Minimum
	1960		1975		1975 females	1975 males
Age	M	F	M	F		
20-24	75	57	71	60	74	61
25-29	93	42	87	56	72	77
30-34	96	36	91	53	74	81
35-39	97	35	92	58	75	82
40-44	97	36	91	63	83	83
45-49	96	37	90	64	80	84
50-54	95	36	88	58	74	84
55-59	92	32	83	48	68	81
60-64	82	22	66	28	40	67

The men have reduced their activity rates by five or six percentage points in most ages in the central span of economic activity. The women, on the other hand, have increased their activity rates by between 20 and 30 percentage points in ages between 30 and 35.

There is an interesting co-variation between the increase in the activity rates and the decrease in the fertility rates in ages above 30 years. In order to show the range of variation in the activity rates, two additional series are given in the table. The first one shows the maximum female activity rates and the second one shows the minimum male activity rates in 1975; both series refer to communes within the Stockholm metropolitan region. Between the ages 35 to 50 years the difference between the two series is almost negligible. The high activity rates for females are to a very large extent influenced by the specific labour market situation for females in the Stockholm region. In the second largest metropolitan region (Gothenburg) the activity rates are closer to the national level. The lowest level of female activity is observed on an island just outside Gothenburg where, in a total population of around 7,000, the activity rates vary closely around 30 per cent in ages 25-55 years. In this case, too, we see a mere reflection of the labour market situation and, possibly, quality of transportation.

Outlook for the future

Projections of the population, based on the present demographic situation, show that if net migration remains on its present level (between 10,000 and 20,000 per year) the population will continue to increase up to the end of the 1980s and then start to decline. On the other hand, if net migration is zero the population will start to decrease and within 75 years the population number will be reduced to approximately 4.7 millions.

No one actually believes in a development like this, but it gives a background to the Swedish population debate today. We can also use projections of this kind as an illustration of the dilemmas of forecasting. The possibility of making reliable predictions about population development in the long term is still greatly limited. With steady undramatic development the standard methods of forecasting work quite satisfactorily with only small variations between the prediction and the actual population. If, however, the trend in development changes for any reason the prediction may be grossly erratic. In this respect we are no better equipped now than we were forty years ago when the 1935 Commission on Population reports were prepared:

"According to the previous report it is almost certain that, in the very near future, the population of Sweden must begin to decline . . . The possibility that within the foreseeable future the birth rate will be high enough to enable the population to increase again gradually is so

remote that no allowance need be made for it in an investigation conducted for practical purposes."

In order to avoid this dilemma I will give two scenarios describing two different situations in future Sweden.

The first scenario describes a 'post-industrial' society in which the service sectors dominate. The population is no longer growing and the age structure is undergoing great change. Knowledge of reproduction and contraception is widespread and almost all prospective parents can decide the age at which they will have children and how many they will have. Families remain small; both parents are in gainful employment outside the home and work in the home is limited.

To an increasing extent, fertility can be influenced only through the modification of values. The family economy and provision for old age are no longer binding conditions for having children: people have children in order to give and receive affection. Changes in mortality are connected less with medical progress and more with living conditions and life styles.

The proportion of old people and those in need of care is increasing. Particular attention is given to socially organized child care. Large numbers of women seek work outside the home. The shift in the age structure, greater participation in economic activity outside home by women and the growth of the service sector result in great changes in the organization of working life. Both men and women desire part-time jobs and flexible working-hours. The age of retirement is becoming fluid. New kinds of conflicts are arising between different personal objectives; family unity, social stability and involvement in local activities necessitate residential stability, while professional careers and labour market adaptation require mobility.

The integration of children and old people in the activities of the community is an unsolved problem. New political institutions must be created to safeguard the interests of those groups that lack political resources.

The second scenario describes a different 'post-industrial ' society.

The size and structure of the population are changed by large-scale immigration. Among the immigrants the young able-bodied are over-represented in relation to the original population. The age pyramid is being 'rejuvenated'.

Economic differences between the countries of Europe are being reduced. Immigrants come from more and more distant countries. There is a large proportion of poorly educated persons, who accept jobs not wanted by Swedes.

For the individual immigrant, migration to Sweden is financially worthwile. The immigrant is important in the recruitment of labour by companies. The effects of immigration upon national revenues and expenditure are difficult to determine. Domestic advantages and disadvantages are not the only determinants of the level of immigration. International conditions can develop to the point where immigration can no longer be completely controlled unilaterally; it can come to be required as a form of development assistance.

Large-scale, rapid immigration tends to produce a menial, lower class. The better-educated immigrants are quickly integrated while the others remain at the bottom. Differences of language, religion and life styles form a barrier which limit career opportunities and cultural and political conflicts appear. Xenophobia is

The implications of population changes for the Swedish economy depend on a variety of factors, the growing proportion of elderly people, the greater range of work available for women even in such traditionally male preserves as forest clearing, wood-working and the metal industries; the two-way flow of migrants; and the possibilities of employment after the age of retirement. Photos Pressens Bild AB, Stockholm.

latent among the Swedish people, appearing especially when they themselves have difficulty in obtaining work. Large-scale immigration is accompanied by the risk of the formation of ghettoes in the larger towns and cities and industrial areas. The immigrants represent many different ethnic groups, and it is unlikely that they can act with political unity. Conflicts between groups of immigrants are a problem.

With large-scale immigration, integration into Swedish life is not realistic and pluralistic solutions must be tried. Faced with immigration, the political institutions must learn to cope with the long-term situation.

Superimposed upon these two scenarios there may occur sudden changes in the number of births during single years due chiefly to changes in the spacing of births over single years. The result will be baby booms of the type observed during the 1940s and the 1960s. But the peak level will probably be much lower than earlier. Such fluctuations in the annual number of births create problems for social planning with regard to health care, education, housing, and labour market. Methods need to be developed to cope with such problems. New forms of work organization which allow for re-education and generally more flexible entry and re-entry into employment provide means for solving this problem.

Concluding remarks

The two scenarios in the preceding section show two possible alternatives for future Sweden. I will not try to rank them according to their likelihood of fulfilment but rather point to the fact that the present demographic situation in Sweden has several elements in common with the two scenarios. As was said earlier, no one actually believes that fertility will continue to decrease at the same rate for any prolonged period. It is more likely that fertility will stabilize on a fairly low but constant level which allows for a constant population. However, in order to attain such a stable level, it is necessary to find a solution to the conflict between the ambitions of both men and women to take part in economic life and the possibilities of bringing up children.

Immigration is completely regulated in Sweden today. The largest share of immigrants comes from the Nordic countries, in accordance with the agreement on free movement across borders in the Nordic labour market. →

Immigration from countries outside Scandinavia is strictly regulated by law and no one is permitted into the country who does not possess certain qualifications. The problem is whether it will be possible in the future to keep the Swedish border closed against illegal migration; in the United States, for example, this is a very difficult problem

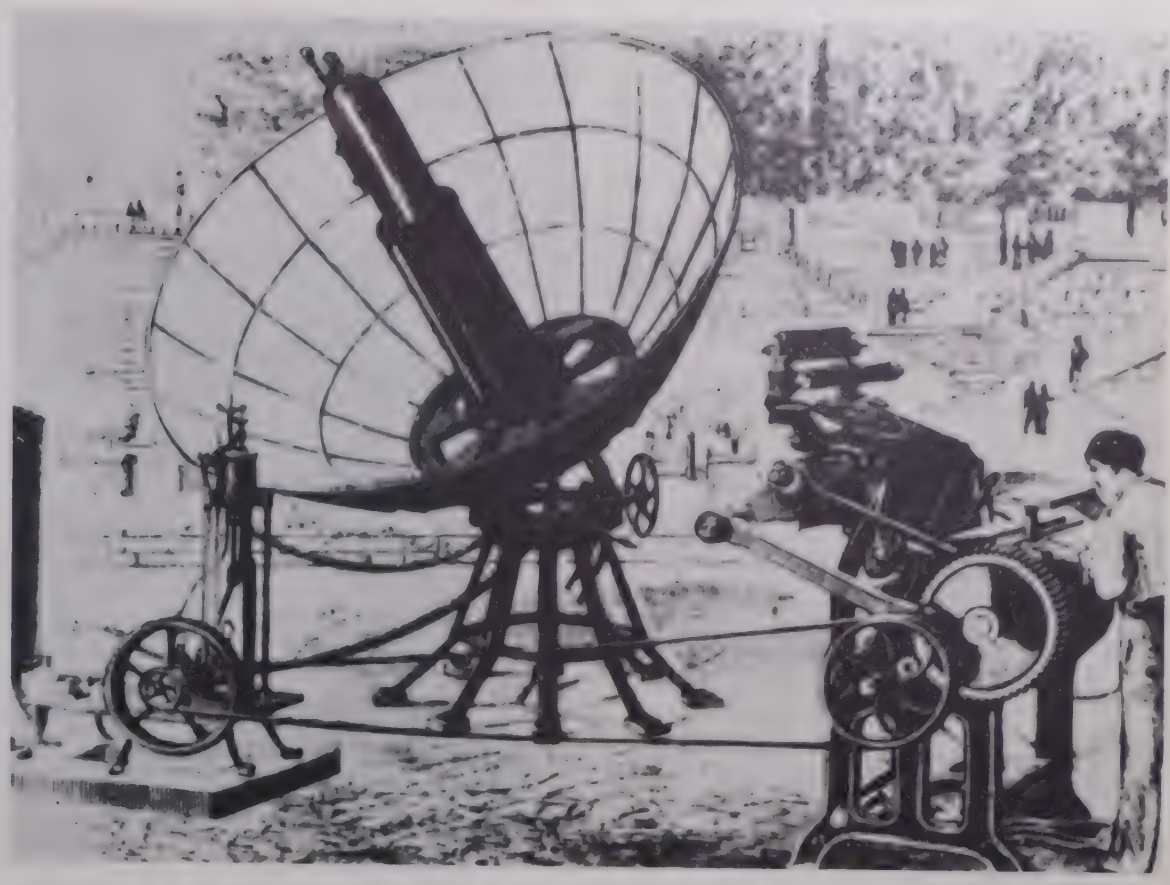
The increase in the number of old people will create heavy demands on the resources of society both in personnel and in financial terms Even today the resources are not enough to give the old an adequate standard. The continuing increase in their number and also in their proportion of the population will create still larger problems in this respect. Solutions to this problem have to be found today and are not linked to the present situation in the demographic development.

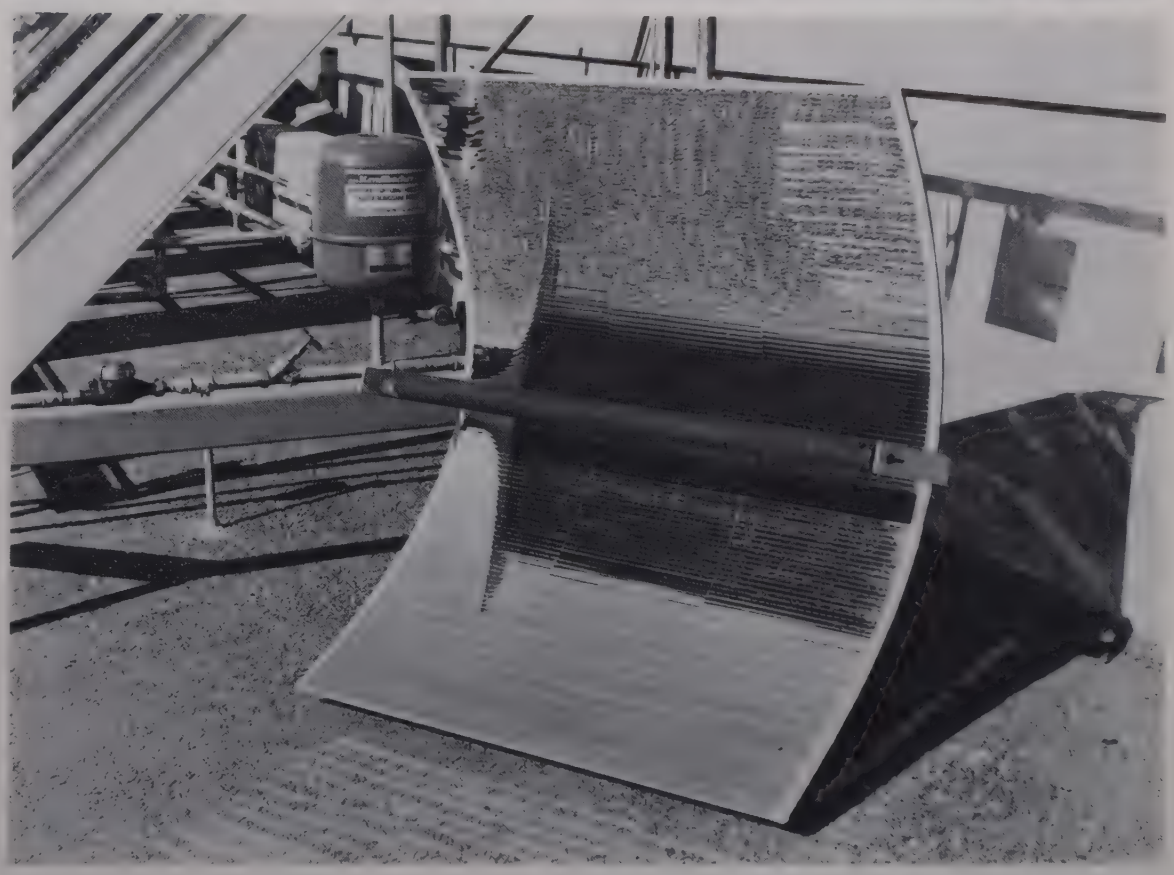
Economic growth is not dependent to any large extent on demographic development in the short term. More important are international business cycles, investment and other economic activities, work organization and so forth. However, labour shortages may occur in the long run, if birth rates remain on a level that is constant but considerably lower than at present. The economic sector may then demand the services of other population brackets than today. In such a situation a conflict may arise between the requirements of industry and the capacities of the new categories entering the labour force. The possible effect on economic growth of such a conflict is difficult to foresee. Let me only point to the fact that already today the labour force is being split into a first grade and a second grade (and even a third grade). Industry is recruiting mainly from the first grade while the other grades are employed in 'protected activities', isolated from external competition. One consequence of a new recruitment policy could be difficulties in increasing production or even keeping up present levels. Whether this will hamper welfare growth or not depends on the definition of welfare—whether welfare is equivalent to economic growth or welfare goals may be attained through other means.

I have in this short paper tried to give a review of the present population situation in Sweden and its consequences for the future. I have, purposely, refrained from discussing any solutions to the problem. Some of the problems are already apparent while others have not appeared yet. In any case, Sweden today is rapidly approaching a crossroad, and it is of vital importance that demographic, economic, and social policy should be structured so as to cope with the imminent problems of the present trend. ■

Austrian research on solar energy uses could benefit developing countries

By Professor G. Faninger, Head of the Solar Energy Department of the Austrian Solar and Space Agency, and Dr. M. Bruck, of the same Department





In Austria, as in other industrial countries, there is on the one hand an increasing dependence on foreign sources of energy supply—at present about 60 per cent of primary energy needs are met by imports—and on the other hand there is an annual increase, of the order of 4 per cent, in the growth in the consumption of primary energy.

Some 40 per cent of the total demand for primary energy is for the production of low temperature heat (temperatures of less than 100°C).

Some 35 per cent of the total demand for primary energy is for the production of high temperature heat (temperatures exceeding 100°C).

Some 25 per cent is used for light and power, three quarters of it for transport.

The availability of sufficient supplies of technically and economically usable energy is the inescapable condition for a sound development of the economy. If serious bottlenecks in energy supplies are to be avoided in the future certain steps must be taken now:

- a drastic economising of energy, particularly in the industrialised countries, such as can be brought about through the use of appropriate technologies to permit a more rational use of energy resources;
- the search for and development of alternative sources of energy with a greater respect for raw materials and the environment;
- the assessment and evaluation of the technical, ecological and economic effects of the introduction of new energy techniques.

In the long run the various possibilities of using solar energy can lead, at least to some extent, to its use in place of fossil fuels. On the basis of the present theoretical and practical knowledge there is however considerable uncertainty about the extent to which this substitution is possible.

Research and development programme

The emphasis in the research and development programme is at present on the following:

- solar technologies for the production of low temperature heat;
- solar technologies for the production of high temperature heat, e.g. for the generation of electricity and the production of synthetic fuels;
- photovoltaic systems for the generation of electricity and of synthetic fuels;
- possibilities of producing and exploiting biomass.

Some 25 institutes in universities, research centres and industry in Austria are now engaged in research on solar energy and its uses. The coordination of the research and development programme has been entrusted to ASSA, the Austrian Solar and Space Agency.

The structure of energy demand is such that solar technologies are of great importance in particular for the production of low temperature heat.

The most advanced stage in the development of solar technologies has been that of the direct thermal use of solar radiation energy through conversion into low temperature heat, and the methods for doing this show great efficiency. The main subjects of research and development in this field are:

- the development of collectors with improved thermal and mechanical properties and with a sufficiently long life span in the climatic conditions present in Austria;
- the development and testing of complete systems of high efficiency for heating swimming baths, water heating and space heating;
- the development and testing of low-cost low temperature reservoirs with minimum heat losses;
- the development of standard test procedures for components and whole systems;
- extending the knowledge of the performance of solar installations and developing optimum control strategies for multivalent systems.

In 1975 and 1976 two swimming baths, three houses and two institutional buildings in Austria which use solar energy for water and space heating were equipped with instruments to register and record data in order to provide sound evidence on the efficiency and performance of solar installations for the production of low temperature heat. In addition solar collectors were placed on two outdoor sites for short term and long term tests. ASSA was given the task of coordinating the logging of the data and evaluating them. The results make it

possible to draw up an energy balance for the installations.

Small solar power stations for developing countries

In addition to the research and development projects for the production of low temperature heat, considerable importance is given to solar technology for the production of electricity. At the present stage of development, meteorological and climatic conditions in Austria, and the cost structure of small capacity solar power plants, rule out the possibility that such plants might have the same significance in Austria in the near future as the use of solar energy for low temperature hear. But there is here a possibility of making a real contribution to development aid. The use of solar energy is very relevant for the industrialisation of the developing countries. In particular, small solar power stations provide an interesting new method for the production of mechanical or electrical energy if the construction of a distribution system is not economically feasible and if there is a high level of solar radiation and a high annual duration of sunshine. These conditions are fulfilled in very many developing countries on the Indian subcontinent, in the Near East and in South America. Many of these countries also have the best conditions for producing solar energy in the future.

Close cooperation between industrialised and developing countries in research and development on technologies for the use of solar radiation energy ought therefore to be of interest to both. Austria has already decided to design a solar power station suitable for the developing countries with a net capacity of 10 kW which, after manufacturing and testing in Austria, will be tried out in a developing country.

The intention is to make available to all developing countries the technological know-how that is derived from this project. By the middle of this year the solar power station will have begun operating on a trial basis and will yield practical results. The construction is based on the meteorological and climatic conditions in countries with a high annual duration of sunshine. Power stations of this kind are of particular interest for countries with an unfavourable "electrical infrastructure" and can provide electrical energy for many small villages and perhaps also for local radio stations broadcasting educational programmes.

Austrian science and industry have the possibility of gaining a start in technology and know-how which would enable them to survive international competition in this forward-looking sector.

Cooperation in International Energy Agency (IEA) research projects

Solar heating and cooling systems

Solar heating and cooling systems are being studied as part of IEA's research programme. Austria has undertaken to carry out research and development work on the following subprojects:

Development of components for solar heating and cooling installations;
Methods of testing collectors; and
Use of available meteorological data in solar technology.

Austria's work on these matters was begun in March 1977 and is being coordinated by ASSA.

Construction of two demonstration solar power stations

On 6th October 1977 an implementing agreement was signed in the International Energy Agency in Paris for the realisation of a small solar power station project. The participants include—in addition to Austria—Belgium, Italy, Spain, Sweden, Switzerland and the United States. In November 1975 Austria had been named the lead country for small solar power stations within the IEA: it had the chairmanship of the working group in this field, which in the course of eighteen months worked out the bases for this project.

This involves the construction of two 500 kWe demonstration power stations at Almeria in Spain. One uses a "distributed collector system" and one a "central receiver system". In the former, collectors which are spread over a wide area concentrate the sun's rays to heat a liquid or gas which then drives a heat engine coupled with an electric generator. In the other system a large number of mirrors reflect the sun's rays on to a central receiver, mounted on a tower, to heat a fluid which drives a turbine generator.

Austrian industry would be very interested in cooperating on this project. It has already worked out specific plans and would be able to develop a large number of components for both these systems.

The agreement is at present limited to the planning phase which should be completed by the middle of this year. Presumably the construction of the two demonstration plants would require a further two years so that one could expect them to come into operation in the middle of 1980. The Austrian contribution in the planning stage amounts to 700,000 schillings which has been made available by the Federal Chancellery. The sum is equal to 5 per cent of the total cost of the planning stage which is estimated to total 14 million schillings.

The aims of the IEA in carrying out a project of this kind include:

- the promotion of solar energy in the IEA member countries in order to reduce the dependence on fossil energy resources;
- the promotion and development of cooperation between the IEA member countries to their common advantage;
- the development of new energy technology for developing countries.

The German Air and Space Agency (DFVLR) is in charge of the carrying out of this project.

Cooperation in the IEA project gives Austria the possibility of advancing its own work in the field of heliothermic electricity generation. And the experiences gained from the project will also give the Alpine countries a chance to develop heliothermic energy on an economically viable basis. ■

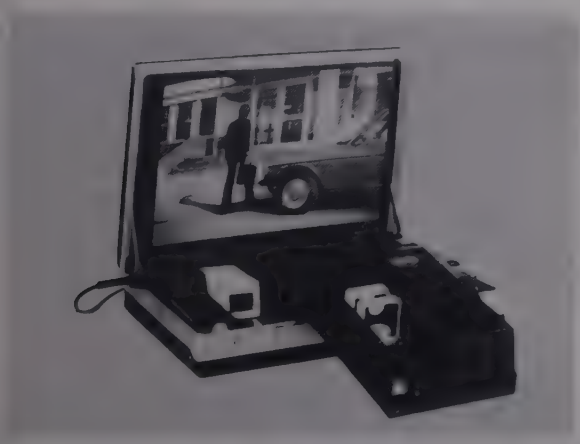
Is the exploitation of solar energy something new under the sun? An old dream, it is increasingly the object of scientific research into alternative sources of energy. Austria is playing a prominent role in international research projects. The photo on page 19 shows a mirror built to concentrate the sun's rays, after four years of tests in Alpine conditions in Austria. Above, a sun ray collector in use at Seibersdorf, near Vienna.

EFTA industrial news

• The Icelandic construction firm *Scanhouse Ltd.* has just signed a number of contracts with Nigeria to a total value of some 28 million dollars for the construction of dwelling units for the army, a building for the country's main newspaper and 170 single homes for Gulf Oil, Shell and BP. The buildings are expected to be completed within 18 months.

• *ELIN-Union,* Vienna, has received an order from West German State Railways for the delivery and installation of four wheel flange welding units—a device which considerably increases the mileage of railway wagon wheels. A high degree of automation makes it possible to handle 24 wheels in 8 hours. Yugoslavia and Zambia have each ordered one such installation.

• Canadian Industries Ltd. has placed an order worth several million dollars with Sulzer Bros. Ltd. (Canada) for a plant for the vaporization of caustic soda solution (sodium hydroxide). The Swiss company *Escher Wyss,* a member of the Sulzer group, is responsible for the construction of the plant, which will produce over 400 tons of caustic soda a day.



◄An audiovisual brief-case made by the Swiss firm *Avip SA,* of Nyon, gives a synchronised projection of standard 24-36 slides. The built-in projector holds 80 slides and there is space inside the case for a further 200. Slides can be viewed on a wall screen or on a screen incorporated in the lid. The equipment can be used for many purposes including publicity, audiovisual training or instruction at home, and sales presentations.

▲A combined scarifier/tree-planting machine that can plant up to 8,000 seedlings a day, compared with a maximum of 700 manually, has been developed by the Swedish firms *MoDo-Mekan* and *Östbergs Fabriks.* It consists of a forwarder combined with a scarifier and a treeplanting unit. The seedlings are fed by suction from a container to two planting arms. The arms, which are synchronised with the scarifier, insert the seedlings into the soil.

• Over the next three years the Austrian firm *Steyr-Daimler-Puch AG* (Vienna) will deliver 8,000 tractors to Vietnam and will also provide the relevant know-how.

◄The Swiss firm *Oswald Boll SA,* of Zürich, is marketing under the name "Rotoloupe" a measuring instrument equipped with a magnifiying glass. Eight measuring scales are printed on a disk which rotates so that it is easy to change from one scale to another. The glass gives an eightfold magnification. The scales measure distances in millimetres and inches, the diameter and radius of circles, angles, etc.

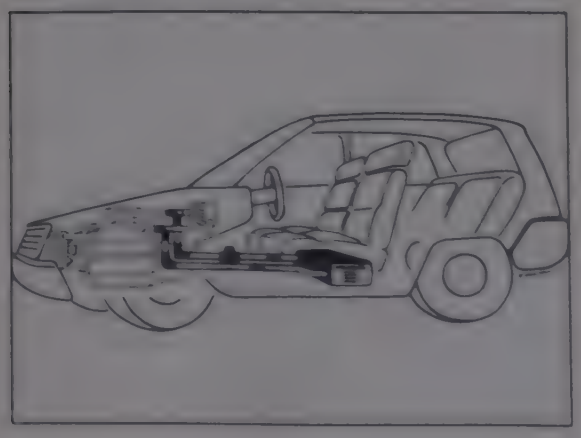
• The Swiss firm *Kaeslin et Partenaires SA* (Kapsa) of Olten has been commissioned by the Algerian Government to build 500 houses at Biskra. This order is valued at 50 million francs, 5 million of which will go to Ernst Göhner (Zürich) the contractors who, under the terms of an agreement with Kapsa, will ensure the management of the whole operation (planning, engineering, supervision of work and book-keeping). Kapsa, founded in the spring of 1977, groups several small and medium-sized building firms which have joined forces in order to gain a foothold abroad more easily. →

• The Finnish company *Viljamaan Konepaja Ky* has designed and produced a machine for stretching leather, a job that previously had to be done by hand. This is usually the most expensive part of the leather-dressing process and the use of the new machine should bring about a considerable reduction in costs in the leather industry. A number of the machines have already been sold after the company exhibited its new product at the International Leather Fair in Paris last autumn.

• A Danish manufacturer of steel pipes, Nordisk Simplex, has been taken over by the Finnish company *Rautaruukki*. Simplex, which was founded in 1910, sells its products in Denmark, the south of Sweden and in other European markets. Now the pipes produced by Simplex will be made of steel strip imported from Rautaruukki factories in Finland.

• The Finnish firm *Oy Strömberg AB* will supply a 500 MVA power transformer to Sweden at the beginning of 1980. This is the largest transformer so far delivered abroad by the company.

▼ *Trifolium AB* of Stockholm has recently developed a special heating unit which can keep the interior of a stationary car warm for up to two hours at an outside temperature of minus 10 °C while consuming no energy. This unit—named Accuheat—is usually placed under the driver's seat. It stores surplus heat from the car's engine which is then used to keep the car warm once the engine is switched off. The unit remains effective for about two hours and thus lends itself for use in all types of vehicle which are rarely idle for longer periods.



EFTA Industrial Development Fund for Portugal

New loans granted will create 420 jobs

The granting of loans totalling 321 million escudos (about 8 million dollars) for three new industrial investment projects in Portugal was approved by the Steering Committee of the EFTA Industrial Development Fund for Portugal when it met in Geneva on 23rd January. A total of 420 new jobs will be created when the new projects are completed.

The biggest of the new loans is the 133 million escudos credit granted to SIPE, Sociedade Industrial de Produtos Elèctricos, to extend its manufacturing facilities at Carcavelos, just outside Lisbon. The company produces electrical equipment, principally switches, press buttons, plugs and sockets. When the expansion is completed, SIPE's labour force will be increased to 1,350 persons.

Another loan approved today was a credit of 65 million escudos for a company which will modernise its existing plant and erect a new factory. Labour productivity in the company, which manufactures electrical and telephone cables, will be increased by the investment which will also provide new jobs. The present labour force numbers 100.

The Steering Committee also approved a loan of 123 million escudos for an expansion of manufacturing capacity planned by SEPSA, Sociedade de Construçoes Electromecanicas, at Oporto. SEPSA, which at present has 1500 employees, constructs electrical machines, heavy equipment and railway freight cars.

The decisions taken by the Steering Committee bring to 914 million escudos the sum of the credits given by the Fund which was established by EFTA to help finance the expansion of industry in Portugal. This is the Fund's contribution to 41 projects, the total investment in which, including finance from other sources as the Fund's statutes require, amounts to over 1,500 million escudos.

Established on 1st February 1977, the 100 million dollar Fund receives the contributions of the seven EFTA countries in five equal annual instalments. With the granting of the three new credits the finance available in its first year of operation have been fully committed for investment projects in Portugal.

Reciprocal recognition schemes

Agreement on lifts and cranes now in force

National authorities participating in the newly-established international scheme for the reciprocal recognition of tests and inspections carried out on lifting appliances met for the first time on 7th and 8th February in Geneva.

Present at the meeting were representatives of national authorities responsible in four countries—Austria, Finland, Norway and Switzerland—for the approval of appliances such as lifts, cranes and hoists. The Icelandic approval body is also participating in the scheme but was not represented at the meeting.

The scheme, which came into force on 1st January this year, makes it possible for the authorities in any of the five countries to accept reports on tests and inspections of lifting appliances carried out by testing bodies in another of the five. A manufacturer of lifts or cranes in any of these countries can thus have his equipment tested by a testing body in his own country before the equipment is exported provided that the testing body is recognised by the authority in the country to which he wishes to export. The scheme does not apply to any inspections that have to be carried out after installation.

A more detailed account of the scheme will be published in the April issue of the EFTA Bulletin.

Heating equipment scheme inaugurated

A first meeting of authorities participating in another new reciprocal recognition scheme was held in Geneva on 14th February.

This scheme, which also came into force on 1st January, covers heating equipment using liquid fuel: oil burners, domestic boilers, air heaters and dryers, oil stoves, and portable heaters and cookers. Authorities from all the seven EFTA countries are taking part in the scheme.

A fuller account of the scheme will be given in the next issue of the EFTA Bulletin.

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Structure, rules and operation of the European Free Trade Association. A full account [illegible] EFTA's history, achievements and current activ[illegible]. 146 pages. *English, French, German, Finnish, [illegible]dish, Norwegian* and *Portuguese*

The EFTA Industrial Development Fund [illegible] Portugal. A short leaflet containing general [illegible]rmation about the Fund, the statutes, and some [illegible]stical data on Portugal. *English, German* and [illegible]guese.

[illegible]ade studies

EFTA Trade 1975. Of interest mainly to [illegible]nomists. Contains an analysis of EFTA trade in [illegible]5 with a substantial statistical appendix. It also [illegible]udes an analysis of the trade of the seven EFTA [illegible]ntries with the EC countries after the enlarge[illegible]nt of the Communities and the coming into force [illegible] the Free Trade Agreements. *English, French* and [illegible]rman.

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An examination of the Growth Centre [illegible]ea. A study of the role of growth centres as a [illegible]ans of regional policy in EFTA countries (1968) [illegible]2 pages. *English only*

Industrial Estates. A study of the industrial estate system (1970). 80 pages. *English only*

Industrial Mobility. Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only*

National Settlement Strategies: a framework for regional development. Report by a working party of the Economic Development Committee. *English only*. 200 pages. 1973

Formal publications

The Stockholm Convention. English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

The Stockholm Convention. Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

Seventeenth Annual Report of EFTA. July 1976-June 1977. *English, French* and *German.*

EFTA Annual Reports 1967 to June 1976. *English, French* and *German.*

The Free Trade Agreements of the EFTA countries with the European Communities. EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German*. (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

Compulsory Technical Regulations. Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries*

Conventions and mutual recognition schemes

Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products. (1970). Bilingual *English, French, German, Italian*

Convention on the Control and Marking of Articles of Precious Metals. (1972). Bilingual *English, French*

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels (1971). *Loose-leaf edition in English. In stencilled form in French and German*

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment (1971). *Loose-leaf edition in English. In stencilled form in French and German*

Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors (1972). *Loose-leaf edition in English. In stencilled form in French and German*

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances (1972). *Loose-leaf edition in English. In stencilled form in French and German*

Brochures published under the auspices of the Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products:

Basic Standards of Good Manufacturing Practice for Pharmaceutical Products. Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German*

Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials. Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German*

Guidelines for the Manufacture and Analysis under Contract. Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German*.

Safety Aspects involved in the Packaging and Labelling of Pharmaceutical Products. Contains the papers presented at a seminar organised by EFTA in April 1971. 172 pages. *English* only

Sampling and Analytical Control. Papers presented at a seminar held in Edinburgh, September 1973

Manufacturing and quality control under contract. Papers presented at a seminar in Berne, July 1974

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The steel crisis and the EFTA countries – The need for structural adjustments in the economies of the OECD countries – Two new reciprocal recognition schemes

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The world steel crisis and the EFTA countries

After several weeks of negotiations six of the EFTA countries reached an agreement on 28th February with the European Community on their sales of steel to the EC for the rest of this year. The Community had asked for the negotiations with the aim of stabilising steel prices within the Community without affecting traditional trade flows. The result is designed to raise the prices of steel within the Community from their present low level and enable the six EFTA countries to maintain their share of the EC market by permitting exports from EFTA to enter the Community at prices 3 per cent lower than those of competitive producers within the Common Market. Iceland, the seventh EFTA country, has no steel industry and was therefore not involved in the negotiations. So far as Switzerland is concerned the agreement relates only to reinforcing bars: for the other countries all steel products are covered.

"Although the Austrian steel mills have been working at a low level of capacity, imports have risen because of the excess steel capacity in the world." So wrote the Austrian daily *Die Presse* on 2nd March in a report on the general economic situation in the country; and the sentence about the steel industry would be true also of the industry in many other countries. If one adds that imports were able to increase because their prices were below the Austrian level, as presumably they were even though *Die Presse* in its short report does not say so, the main features of the international crisis are defined. The excess capacity of recent years is the cause of an aggressive search for markets which has depressed prices and reduced profitability.

This is the fourth year since the last boom in the industry. In 1974 the output of steelmakers throughout the world reached the record total of 709 million tonnes. The following year there was a severe drop in world production which recovered only partially in 1976. Last year there was a slight fall—0.5 per cent—but the total output of 673.1 million tonnes was still 5 per cent below the peak.

In itself the decline in 1977 may not seem very significant for a year in which there was only a slow rate of growth in economic activity in the industrialised countries of the world, and only a slow rate of growth in world trade. But the accusations of dumping made against a number of countries, the introduction of minimum import prices in the European Community and of "trigger prices" in the United States, the more extensive use of surveillance systems to monitor the sources and prices of imports—all of these indicate a more profound disturbance of the market. The duration of the recession in the

industry is of course one of the reasons for this. Another is the relative significance of international trade for the steel mills.

Broadly speaking, and taking the figures for 1977 compiled by the International Iron and Steel Institute as a basis, 30 per cent of the steel produced in the world is produced in the Comecon countries—205.3 million tonnes. This was one area in which output rose last year, the increase being 3.3 per cent. This was a fairly normal rate of growth for the region, which has not experienced the full effects of the international recession and which in any case plays a relatively small part in the international trade in steel.

The steel industries in the non-socialist developing countries were also able to increase their output last year. Their steel mills produced 42 million tonnes, which was 11.6 per cent more than in the previous year. For most of these countries the importance of domestic steel mills is that they provide materials for the creation or expansion of local steel-using industries. The immediate target is self-sufficiency but there is also an export potential which is already being used to some extent. Significantly, the EC has sought negotiations on steel with three of the developing countries where steel production is rising sharply. Half of last year's increase in output in the developing countries is attributable to one of these—Brazil, which is the thirteenth largest producer in the world. The two others are South Korea and India which also reported big increases in output last year.

High rates of growth were also achieved last year in China where production is estimated to have risen by more than 10 per cent, to 23.4 million tonnes, and in North Korea where a 6 per cent rise brought the total to 3.2 million tonnes. But in both these countries the production is for domestic use.

There remains the largest group of countries, which also includes all the well established suppliers of the international market for steel—the industrialised countries which between them produced 399.2 million tonnes last year. And the first thing to say about this group is that its production was 4.1 per cent below the level of 1976. These figures cover the total output of Western Europe, North America, Japan, Australia and South Africa.

There were naturally variations within this group. Output continued to increase both in Canada and in South Africa and it fell in the United States by only 2.8 per cent. But it is more immediately relevant that there was an above average reduction in the output of the EC, which fell by 5.8 per cent to 126.4 million tonnes, and that there was an even greater drop in the much smaller production in the EFTA countries where the output of just over 12 million tonnes was 8.3 per cent lower than a year earlier.

These actual production figures, as well as the extent of the fall—or the increase—from the previous year, provide a less adequate guide to the scale of the recession in the industry than statistics for the use of capacity. Unfortunately, these are not readily available in many cases. It is known that in the latter part of last year the steelmakers in the Community were working at about 60 per cent of capacity. The International Iron and Steel Institute does not produce any estimate of capacity working but it does have a production index which relates the tonnage produced to the output in the best three consecutive months in the last boom. Clearly a comparison of this kind takes no account of the net addition to production capacity installed in the intervening period. The figures are therefore not comparable with the Community's 60 per cent figure. On the IISI's calculation the production index for the Community for last year stood at 75 per cent, and the index for the 29 countries that are represented in the Institute stood at 82 per cent. Since capacity has been increasing in the meantime the figures naturally underestimate the proportion of unused capacity. They leave no room for doubt, however, that the industry is working well below its potential level.

If one looks at the production figures for the two biggest steel producing countries in EFTA, one finds that the Austrian output of 4.1 million tonnes last year was 13 per cent below the 1974 peak and that the Swedish output of 4.0 million tonnes was 33 per cent below. Here too the figures do not indicate the extent to which the mills are underemployed. VOEST-Alpine, for example, which accounts for almost all crude steel production in Austria, brought a new blast furnace into operation last year which raised the group's steel capacity to 5 million tonnes but the group's crude plants are reported to be working at below 80 per cent of capacity. And in the Swedish steel mills surplus capacity was the main reason for the recent merging of the three principal producers into a single company, 50 per cent state-owned, established to rationalise the industry.

Only in two EFTA countries was there an increase in production last year. One was Finland, where the biggest of the crude steel producers, the state-owned Rautaruukki, is well on the way to completing an ambitious expansion programme which will double its output to 1.7 million tonnes, and where production last year rose by 37 per cent to 2.2 million tonnes. It might be noted, as an indication of the time involved in planning and carrying out an expansion in the industry that Rautaruukki's decision to double capacity was taken over seven years ago and that construction work began six years ago. (The investment is a striking instance of the combination of Eastern and Western technology: the contractors for the steelmaking plant are Russian and for the rolling mills British.)

The other EFTA country in which output increased last year was Portugal where production is on a still smaller scale: it

Crude steel output in million tonnes: the ten biggest producers

	1974	1975	1976	1977*
USSR	136.2	141.3	144.8	147.0
USA	132.0	105.9	116.3	113.1
Japan	117.1	102.3	107.4	102.4
W. Germany	53.2	40.4	42.4	39.0
China	27.0	26.0	21.0	23.4
Italy	23.8	21.9	23.5	23.3
France	27.0	21.5	23.2	22.1
UK	22.4	19.8	22.5	20.4
Poland	14.6	15.0	15.3	18.0
Czechoslovakia	13.6	14.3	14.7	15.0
Total of these countries	566.9	508.4	531.1	523.7
World total	709.9	645.8	676.5	673.1

* preliminary.

Crude steel output in 1976 and 1977 in EFTA countries (in million tonnes)

	1976	1977
Austria	4.5	4.1
Sweden	5.1	4.0
Finland	1.6	2.2
Norway	0.89	0.70
Portugal	0.46	0.53
Switzerland	0.54	0.50
	13.09	12.03

amounted last year to 532,000 tonnes. Here also capacity—at Siderurgia Nacional, the sole crude steel producer—is being expanded but essentially with the aim of meeting the anticipated growth in domestic demand. There has, however, in recent years been a surplus available for export.

It has already been mentioned that the industrialised countries are the usual source of steel for the international market, but the extent to which their output is earmarked for export sales varies considerably. The EC in particular is a big exporter of steel products. In October 1976, when the Commission presented its seventh report on the general objectives and long-term prospects for the industry in the Community, it noted that exports to outside the EC had accounted for an average of 18 per cent of production in the years 1970 to 1974. By contrast, the role of imports in internal consumption was much less: in the same years it averaged 7.5 per cent.

The role of exports is even greater in Japan, which is the third largest steel producer in the world although its production of crude steel is only four-fifths of the combined output of the EC. Imports into Japan are almost negligible but its exports of steel (ingots, semis and finished products) amounted to over 36 million tonnes in 1976 and over 25 million tonnes in the first nine months of last year, according to the figures published by the UN Economic Commission for Europe (ECE).

If one adds together the exports of the seven biggest steel producing countries in the Community (thus excluding Denmark and Ireland) the total tonnage exceeds the figure for Japanese exports. In 1976 the foreign sales of the seven countries amounted to 48.4 million tonnes, and the total for the first six months of last year showed an increase of 5 per cent on the previous year. But a substantial part of this trade is internal to the Community, and if this element is deducted the exports of the Community as a whole came to about 23 million tons in 1976.

The position of the EFTA countries is quite different. With the sole exception of Austria they are net importers of steel products. The sum of their exports was no more than 5.3 million tonnes in 1976 and some 70 per cent of these came from Austria—exporting mainly to its neighbours West Germany, Italy and Switzerland—and Sweden, exporting mainly to past or present partners in EFTA.

These figures give an indication of the relative importance in recent years of the countries mentioned but because of the duration of the recession in the industry there is more to be learnt from the evidence of long-term changes in the positions of exporting countries. If, reversing the order followed so far, one begins with the EFTA countries, it must be said that there has been very little change since the middle of the 1960s. Their share of world exports of steel products has risen from 4.2 per cent to 4.4 per cent. But there has been a very sharp decline in the share of the EC countries. Their share in world trade fell from 56.3 per cent in 1965 to 42.2 in 1976. These figures include the trade between them, and the share of the Community as a whole would be significantly lower. (The statistics, it should be said for completeness' sake, are based on the exports of 31 countries which account for almost all the international trade in steel products but do not cover the sales of some of the newer entrants to the international market.)

The main change in the opposite direction that has occurred is the emergence of Japan as by far the largest supplier of the international market. Its share of world exports rose from 16.1 per cent in 1965 to 30.2 per cent in 1976. Other increasingly important sources of exports were Australia, with its share up from 0.5 per cent to 2.7 per cent; Spain, up from less than 0.1 per cent to 2 per cent; and South Africa, up from 0.2 to 0.9 per cent. Brazil, India and South Korea are not included in these statistics, which therefore give no measure of their relative importance to international trade. To some extent the percentages quoted consequently overstate the role of the other countries but without seriously distorting the general picture.

What is perhaps the most important feature of these changes is that a big part of the new competition for export markets comes from large, modern steelworks in which production costs are lower than in the traditional centres. In Japan, for example, the output of steel per man year is estimated to be 372 tonnes. This is appreciably higher than the average performance of the mills in either the United States or the main producing countries of Western Europe. The comparable figure for the US is 274 tonnes while in the EC the output per man year ranges from 235 tonnes in Western Germany to 131 tonnes in the UK.

The principal reason for this contrast is that to a large extent the production facilities in Western Europe and the US are older and less rationally sited. In the US, for example, only one modern steelworks of medium size has been constructed in the past fifteen years. Both there and in Western Europe the location

of the industry is still very much determined by historical conditions. Not uncommonly, and this is particularly true of Sweden, the steel plant is the main employer of labour in the local community, and to close the plant or to reduce the scale of its operations would create serious regional problems. More generally, labour costs have risen significantly both in Western Europe and in the US, worsening the competitive position of their steelmakers in comparison with steel mills in Japan and in developing countries.

It is in a way symptomatic of the contrasting development that one of the six big Japanese producers is pressing ahead with the construction of a new integrated plant on an artificial island in Tokyo bay—thus giving a new twist to the Japanese postwar pattern of building new plants with deepwater access for the necessary ore imports—while several big developments in Europe are either being slowed down, or temporarily postponed. The doubling of capacity at Fos in the south of France, scheduled to take place between 1975 and 1980, will now take longer to complete, and the projected doubling of sheet steel capacity at Port Talbot in South Wales has for the time being been put off.

The combination of excess world capacity and disparities in productivity and costs at a time when general economic growth is low has put considerable pressure on steel prices in the world market and given rise to many complaints of dumping. The fall in prices and therefore in profitability—and many European firms have reported losses in their most recent annual reports—naturally makes it more difficult to finance the new investments necessary to modernise the industry and adapt it to today's competitive conditions. Already last year there were some voluntary restraints on exports, notably from Japan to the United States and the EC, and largely because of the charges of dumping.

Towards the end of last year both the EC and the US decided that further action was necessary. In both cases the decision was to try to influence the level of prices in order to restore some stability to the market. The Community's action involved two stages. The first included publishing lists of basic prices which are intended to be representative of the lowest production costs in the exporting country where there are normal conditions of competition, the compulsory indication of actual prices in the (automatic) import licenses and the immediate imposition of provisional compensatory duties if the actual prices are below the basic prices. These arrangements were to remain in force until the second stage had been reached—the stage in which bilateral agreements have been concluded with the steel exporting countries.

So far as the internal Community market was concerned, the system of minimum prices for hot-rolled wide strip, merchant

Exports of semi-finished and finished steel products (in thousand tonnes)

	1970	1971	1972	1973	1974	1975	1976
Austria	1,369.3	1,415.4	1,478.2	1,436.2	1,703.6	1,966.9	2,027.2
Finland	395.0	400.0	565.7	525.2	447.4	440.9	537.0
Norway	469.6	503.4	552.4	628.6	587.5	586.4	627.6
Portugal	41.0	35.0	34.5	28.7	20.8	23.5	69.6
Sweden	1,458.8	1,443.0	1,647.2	1,930.0	2,029.8	1,681.2	1,683.4
Switzerland	103.0	106.0	134.0	121.9	208.8	239.2	330.6
Total	3,836.7	3,902.8	4,412.0	4,670.6	4,997.9	4,938.1	5,275.4
World total (i.e. 30 exporting countries)	87,462.6	94,428.8	99,406.5	110,418.2	126,030.6	110,410.1	119,418.3

Exports of steel products from the EFTA countries to the EC in 1976 (in tonnes)

	Austria	Finland	Norway	Portugal	Sweden	Switzerland
Belgium-Luxembourg	17,620	20,490	1,540	80	26,470	7,500
Denmark	34,460	8,480	78,230	70	197,020	10,710
France	65,580	17,920	18,870	780	131,480	31,870
W. Germany	627,000	93,230	54,690	380	311,650	119,180
Ireland	1,140	40	1,100	10	1,850	40
Italy	295,510	4,250	760	40	29,220	58,950
Netherlands	29,870	18,810	158,460	30	34,020	17,100
U.K.	108,150	61,720	99,950	150	253,810	3,390
Total	1,179,330	224,940	413,600	1,540	985,520	248,740

bars and reinforcing bars, first introduced last May, was extended into this year. The guideline prices for steel products produced in the EC were to be raised by 15 per cent, a third of the increase taking effect from 1st January 1978; and the manufacturers were obliged to certify that their prices were in conformity with the guideline prices. Funds were at the same time approved—32 million units of account—for the restructuring of the industry within the Community and the creation of alternative jobs for workers whose posts would disappear in the reshaping of the industry.

The main feature of the US decision was the determination of "trigger prices". These are based on the cost of producing and shipping steel products from Japan to the US. If the actual import price is below the trigger price, an accelerated investigation to establish whether the products are being dumped is immediately set in motion. The scheme came into effect for most types of product on 21st February, and one of the early consequences is that the biggest US steel manufacturer has already withdrawn its charges of dumping against Japanese manufacturers.

So far as the Community is concerned, the Commission now has the task of conducting with other countries negotiations of the same kind as those recently completed with the EFTA countries (with the exception of Iceland). All the EFTA countries have bilateral Free Trade Agreements with the Community (or the Community countries) on trade in steel which have in most respects essentially the same character as their FTAs with the European Economic Community. The main feature is that the trade between them in steel products, with few exceptions, has been free of duty since 1st July last year. The exceptions are some special products and alloys imported from Sweden and Austria and ferro-manganese imported from Norway: for these the remaining duties will be abolished at the end of next year.

But five of the FTAS on steel products have one feature to which there is no counterpart in the FTAs with the EEC. They contain clauses, that is, that relate to prices and freight rates. The reason for this is that Article 60 of the Paris Treaty, which established the European Coal and Steel Community, not only prohibits unfair competition and discriminatory practices but also contains an obligation on steel firms within the Community to publish their price lists and conditions of sale.

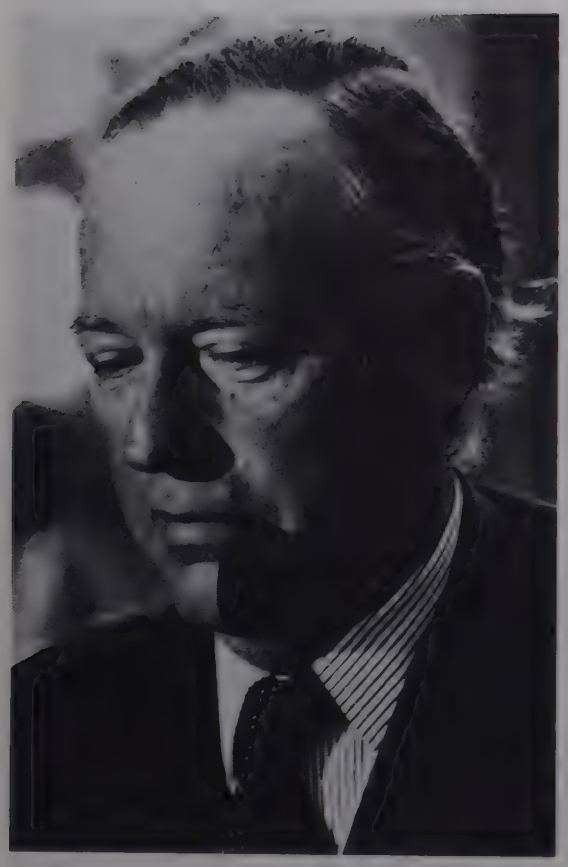
Five of the FTAs state that the Community will apply this Article to sales by EC firms operating in the territory of the EFTA countries concerned. The five EFTA countries committed themselves to observing both the ban on unfair competition and the principle of non-discrimination, and to disclosing the prices of their steel products so far as their trade with the Community is concerned. They also agreed that they would not bring their prices into line with those of third countries quoting lower prices for delivery to the EC if there was a ban on EC producers to stop them from aligning their prices with the cheaper rates. A procedure for consultation if these rules are not observed is laid down in these FTAs. (The Swiss and Icelandic agreements are not with the ECSC as such; on the subject of prices the former simply says that if Swiss steel prices are detrimental to the functioning of the common market because they change the conditions of price competition, the Community countries may take appropriate measures according to the consultation procedures in the Swiss FTA; and Iceland has no steel industry at present.)

What the effect will be if steel prices in the EC and the US are stabilised as a result of the recent decisions will necessarily not be known for some time. They are intended to meet the immediate problems of the industry, not to solve the long-term inadequacies that result from the need for structural adjustment. In many of the producing countries, not in Europe alone, an attempt is being made to tackle the problem of restructuring. The retraining of workers for other skills and special compensation for those forced to leave the industry are among the means being used to solve the social problems. New investment on a large scale in modern plants, with an increasing emphasis on higher grade products, is also necessary but neither the state of the market nor the level of profitability of individual enterprises creates a propitious climate for investment. The latest report from the Community indicates that investment in the industry there will be considerably below the average of recent years.

It would be easier to bring about the necessary restructuring of the industry if the market were stable. But the forecasts for general economic growth in the industrialised countries suggest that there will be only a moderate expansion this year on the basis of present policies. ■

The need for adjustment in the OECD countries

By Paul R. Jolles, Director, Division of Commerce,
Swiss Federal Department of Public Economy



We are living in a fundamentally changed economic climate. The sharpest setback to the trade cycle since the Second World War, the recession of the mid-70s, seems to have been largely overcome. Crisis management has withstood this crucial test for the first time. The political determination of the OECD governments, expressed in the Trade Pledge which has been renewed each year since 1974, has to a large extent made it possible to avoid the use of protectionist measures to cope with the balance of payments difficulties that were intensified by massive petroleum price increases. Although the planned OECD solidarity fund has not come into existence, an adequate international financial framework for dealing with the deficits without seriously harming world trade or causing strong deflationary pressures was created in the form of the Trust Fund and the two IMF oil facilities, the decision in principle to increase quotas, the expansion in the use of Special Drawing Rights and bilateral monetary aids to individual deficit countries through the Club of Ten. In addition, the private capital markets have proved extraordinarily effective and the banking system has made an appreciable contribution to the "recycling" of currency surpluses from petroleum income. The private sector has begun to adapt itself to the new situation in production factors. Political confrontation in North-South relations has been avoided and a factual dialogue instituted. The need for international collaboration in the field of energy is well recognised and we are now moving toward a more rational use of existing energy resources and a more rapid development of new forms of energy. The collapse of the world economy which was feared in 1974 has not taken place.

Nevertheless, the current situation is anything but satisfactory: it is characterised by great uncertainty. Unemployment continues at a high level, which threatens to be politically and socially intolerable for many countries. Economic growth has fallen below the critical figure of 4½% considered essential if unemployment is to be reduced. In order to do better this year than the OECD Secretariat estimates—a rise of 3½%, and for Europe of only 2½% in unchanged circumstances—it would be necessary to introduce measures to stimulate business activity, and this is not without its problems in view of the continuing inflation rate of 7-8%. Moreover, it has been shown that government pump-priming activity has not been sufficient to overcome the private sector's disinclination to invest. Finally, the OECD zone is burdened with a continuing high overall trading deficit of around $23 billion—a deficit which is very unevenly distributed. There is not only the contrast between the Japanese, German, Swiss and Dutch surpluses and the American deficit: the small OECD countries have accumulated a deficit of $22 billion. And mainly because the degree of stability varies considerably from one country to another, international capital flows are concentrated on a small number of countries with detrimental effects on the international exchange rate structure. These currency uncertainties in turn act as a brake on investment intentions and, consequently, on future economic growth.

It is now clear that the fall during the recession cannot be balanced to the same extent by a new cyclical upturn, that the world economic situation has been modified permanently, and that the difficulties that have occurred in various sectors of industry are not—or at least are not only—of a trade cyclical nature and cannot be eliminated by short-term transitional measures; in many cases, these difficulties are of a long-term, structural nature. The fundamental adjustment which is needed has already started but in no way completed. Its objective is a new macroeconomic equilibrium which will have to be achieved under unfavourable economic conditions and which, consequently, is encountering increasing obstacles and resistance. The redimensioning of under-utilised capacity dating from the peak of the economic cycle in such industries as steel production, shipbuilding and electronic consumer goods cannot be achieved without shedding labour which, when there is no economic expansion, cannot readily find employment elsewhere. Rationalisation is necessary not only to reduce excess capacity but also to improve profitability and to cope with the higher risk premiums associated with new investments. Structural adjustments are also required in order to allow for the present cost of energy and raw materials as well as to improve the division of labour with the developing countries.

This need to implement a far-reaching process of adjustment under unfavourable economic conditions leads to the danger of unwise economic reactions on the part of governments and erroneous actions on the part of industries. Three hazards seem to me to predominate:

— the introduction of protectionist measures of both a traditional and an indirect type;
— State interference in the market economy, which is increasingly common and counterproductive in the sense that it tends to preserve existing structures;
— neglect of North-South reforms under the pressure of domestic political problems.

There is as yet still no government that advocates a return to protectionism; nevertheless measures which, although not ostensibly conventional restrictions on trade, effectively distort international competition, are increasingly accepted as the lesser evil and even actively advocated. One needs only to mention the increasing number of open and covert export subsidies found even in industry, which in turn are being met by compensatory duties

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This article is the text of the paper presented by Mr. Jolles at the 8th European Management Forum in Davos on 31st January 1978.

nd minimum price regulations; not to speak f the many administrative impediments which n effect serve only one purpose: to hold or rice foreign goods out of the domestic narket. Furthermore, there is an increasing ffort to establish agreements on prices and mport levels for specific products—the so- called "orderly marketing agreements"—which also serve to erode the freedom of world trade.

In industrial, regional and labour market policies too, domestic pressures have led to the implementation of measures which tend more to maintain existing structures than to promote structural adjustments, and whose international effects are given little attention. Moreover, increasing intervention is threatening to bring into question the bases of the market economy.

Finally, there would be very great dangers in losing sight of the interdependence of the world economy, which has been acknowledged in the North-South dialogue: in accepting the comfortable notion that the development process can be dissociated from the economy of the industrialised countries. This view would imply that the export-oriented industrialisation of the Third World is not the right goal, and that the structural adaptation of our economy (in the textile sector, for example) can be neglected when in fact it is essential to allow competitive products from new producers a share of the market.

The urgent need of today is to find the right answers and, in particular, to agree on an international approach. Consequently, I should like to present for discussion a few of the concepts that seem to me of importance:

1. From the macro-economic point of view, it is certainly necessary to work for the stimulation of economic growth by making use of the available general policy measures to steer the economies. Nevertheless, demand-oriented measures can do no more than increase the utilisation of existing production capacity; they can not, however, create the conditions required for increased capital investment and the modification of production structures.
2. In the field of trade, attention must be transferred from import limitations to the advantages of trade expansion since this is the best method of increasing the private sector's willingness to invest and thereby create new jobs. The current GATT round must lead this year to substantial results which will also cover non-tariff barriers to trade and other competition-distoring practices and subject the use of safeguard measures to international supervision. The exchange of negotiating offers that has now taken place constitutes a good starting point; nevertheless, it is necessary to ensure that the economic significance of this new advance in trade liberalisation is not diminished by exempting particularly sensitive products from the tariff reductions. Let us not forget that the reductions will probably be staggered over an eight-year period during which the current sectoral difficulties should be overcome.
3. The intensification of international cooperation should not be limited to trade but should also cover the currency field—in particular since pronounced exchange-rate fluctuations have effects which continually spill over onto trade structures. This entails, inter alia, greater efforts to finance and even out payments balances. A well designed system of recycling must, with the help of international financial institutions, lead to a situation in which capital flows are increasingly channelled towards the deficit countries. Moreover, since the current higher prices of oil imports constitute an important factor in the deficits, it is essential to reduce dependence on oil by suitable energy policy measures.
4. At the national level it is necessary to design growth-oriented structural policies for the future which will encourage the mobility and adaptability of labour and investors by setting up suitable training programmes, reducing the risks of innovation and investments, and stimulating research and development efforts. The structural measures should be designed in such a way that they have no negative international effects and do not distort competitive conditions in export trade. The use of temporary protective measures and aids to the balance of payments should be associated with genuine programmes to bring about the necessary structural reform; that is, the measures should be such as simply to provide a temporary relief and not prevent the adjustment process.
5. The counterpart in the private sector must be a business policy aimed at innovation, mobility and active marketing. Adaptability, specialisation and technical capability characterise European industry and explain its success in world markets. The task now is to maintain or win back the self-confidence to withstand international competition. The will to seek markets actively, and not to take shelter behind government protective measures or call for export subsidies which lead to a credit race, must be strengthened.
6. The efforts to improve North-South relations must be pursued but the conditions governing the world economy must be viewed realistically. It must be recognised that the progress of the developing countries will have dynamic effects on the industrialised countries whose growth will be promoted by the rise in import demand from the developing countries. On the other hand, it must also be recognised that the current low economic growth and the widespread balance of payments deficits of the industrial countries may impair their ability to provide development aid. Consequently private activity must increasingly supplement aid from governments; it is also important that private investment in the developing countries should increase. This necessitates a corresponding improvement in the investment climate in the sense of greater transparency and legal security. A liberal world trade system must also be guaranteed for the developing countries. Defensive reactions to new competitors entering the market will be easier to avoid if the more advanced developing countries can themselves provide something of a counter-offer in the form of a dismantling of their own trade barriers. A trade policy which relates the degree of preferential treatment to the level of development is required and could be worked out in the GATT negotiations which attempt to make provision for special facilities in various areas for the developing countries. In the field of raw materials, finally, efforts should be made to adopt price stabilisation measures and create a Common Fund—which must of course remain within financially tolerable limits.

These are a few key concepts which should be considered in greater detail. Although they are scarcely controversial, the task of converting them into a coherent and feasible policy would not be without its difficulties. Nevertheless, it

should be easier to avoid errors if a coordinated international approach is adopted. Economic organisations such as the OECD and GATT thus have a particularly important role to play today. Their contribution is to ensure that the correct diagnosis is made and to strengthen on this basis the international legal framework within which foreign trade takes place. The OECD is now engaged in drawing up an inventory of the large number of structural and policy measures that have been adopted recently, in order to establish the necessary transparency. This will make it possible to form a better judgement of their international impact and to distinguish between those actions which are neutral and those which have protectionist effects.

Obviously, because of its close involvement in world trade, Switzerland supports these efforts for clarity and legal security. Moreover, our experience is that even small and medium-sized undertakings can develop a high level of innovation without state subsidies and even survive under unfavourable exchange rate conditions. It is not only price but the degree of specialisation, quality, the after-sales service, adaptability to the client's specific needs and reliability which are decisive factors; moreover, especially in new markets, it is also often necessary to provide integrated offers and to ensure the establishment of joint export ventures.

Finally, to summarise, the world trade situation requires far-reaching adjustments in the OECD countries. It is necessary to recognise the structural problems as such and, in the interest of maintaining the market economy structure, not to stifle the adjustment impulses coming from world trade. Even a stronger growth in the surplus countries would not eliminate the adjustment problems but would merely bring some respite. A policy of maintaining existing structures would undoubtedly lead to impairment of resistance and flexibility which, in a world economy based on the division of labour, would result in a fall in living standards for all countries.

For the private sector it is important that national and international economic policy remain credible and predictable, since uncertainty cripples the will to invest. Private enterprise can, however, by its attitude to domestic policies, also contribute to the avoiding of changing and counterproductive government interventions.

The OECD countries, which are amongst the world's most advanced and economically experienced, must also assume special responsibility in the field of international cooperation and, when reforming their own economic structures, must pay due attention to the interests and future needs of the developing countries. ■

Recent economic developments in the EFTA countries

For most EFTA countries the continuing slack in world economic activity has created considerable difficulties. They have tried, with some success, to offset the effects of low external demand by various internal measures and have had to accept the resulting consequences for their budgets and for their balances of payments. But the expected revival, especially in the larger European countries, has not taken place so that it has become increasingly difficult to continue to apply the domestic measures to support demand that are required in order to ensure full employment.

This has been the experience over the last two years of Austria, Finland, Norway and Sweden which are now having to conduct much more restrictive economic policies. In the first two years after the beginning of the international economic crisis the *Austrian economy* continued to achieve a high rate of growth, high employment and reasonable balance of payments equilibrium. In 1976, however, the balance of payments on current account began to deteriorate and the deterioration accelerated in 1977. At the same time the growth of real GNP slowed down, partly because of the reduced contribution from the external sector. Moreover, although Austria's inflation rate is relatively low, it is somewhat higher than that of its two main neighbouring trading partners and its competitive position has thus suffered in the recent past. In the face of these problems Austria's economic policy no longer puts the main emphasis on growth but is giving increasing emphasis to demand control and the reduction of the balance of payments deficit. Unless international demand revives quickly the improvement will take some time and involve some structural adjustments. A relatively low increase in the rate of growth is now expected in 1978 and there could be some rise in unemployment.

Finland adopted domestic restraint measures at an earlier stage and GNP fell somewhat in 1977. The balance of payments deficit has been sharply reduced, but unemployment has increased and may rise further in 1978, when only a low increase is forecast for the GNP. Inflationary pressures have also been sharply reduced and prices are now rising at not much more than 5 per cent. The problem of the Finnish economy is that demand for its main exports is low, so that there is a great deal of under-utilized capacity, especially because investment in the industries concerned had been fairly high a few years ago.

Growth in the traditional sectors of the *Norwegian economy*—that is, excluding oil activities—slowed down in 1977 and is expected to slow down further in 1978. Including oil, however, the rate of growth of the economy is fairly high. Support for the maintenance of domestic demand has helped to keep unemployment very low, but there has been a relatively high rate of inflation and the current account deficit rose to an uncomfortable level, even in the light of the expected future export income from the oil sector. A somewhat more restrained domestic demand policy has therefore been adopted and it is also hoped that greater wage restraint can be achieved. In this way it is believed that the competitiveness of Norwegian traditional industry can be improved and the payments deficit reduced.

Sweden succeeded in supporting the economy in 1975 and 1976, but for the first time since the end of the war the Swedish GNP fell in 1977 and it is expected to remain about constant in 1978. Because of the sharply increasing current account deficit Sweden's domestic economic policy had to move towards somewhat greater restraint. It was also becoming more and more difficult to compensate by domestic measures for the continuing low demand from abroad. To some extent restraint was also introduced so as to slow down the rise in costs and prices. Various labour market measures have, however, been successful in keeping unemployment relatively low and only a marginal rise is expected in 1978.

The other three EFTA countries have of course also been strongly affected by the international recession. But because of the influence of particular factors, developments in these three countries have been of a somewhat special character. Thus in *Iceland*, after a deep recession in 1975, a moderate recovery was recorded in 1976, followed by a sharp growth in demand and output in 1977. At the same time the terms of trade improved considerably, so that GNP increased even faster and the current account deficit was reduced to a low figure. The main reason for this was the increase in the production and export of marine products. There was a sharp increase in the fish catch and in addition export prices

SELECTED ECONOMIC STATISTICS

	GNP growth (per cent)		Rise in consumer prices (per cent)		Unemployment (per cent)		Balance of payments on current account *	
	Estimate 1977	Forecast 1978	Estimate 1977	Forecast 1978	Estimate 1977	Forecast 1978	Estimate 1977	Forecast 1978
Austria	3.5	1.5	5.5	4.5	1.8	2.5	–49.1 b. Sch. (–2,280 m. SDRs)	–38 b. Sch. (–2,067 m. SDRs)
Finland	–0.7	1.0	12.7	7.0	6.1	8.0	–740 m. Mk. (–157 m. SDRs)	–350 m. Mk. (–72 m. SDRs)
Iceland	4.2	4.0	29.9	36.0	0.4	0.4	–10 b. Kr. (–43 m. SDRs)	–15 b. Kr. (–58 m. SDRs)
Norway	4.3	6.8	9.1	10.0	1.0	1.0	–26.3 b. Kr. (–4,232 m. SDRs)	–18 b. Kr. (–2,883 m. SDRs)
Portugal	6.0	3.4	27.3	21.0	10.0	10.0	–44.37 b. Esc. (–993 m. SDRs)	–35 b. Esc. (–723 m. SDRs)
Sweden	–2.4	0.2	11.4	9.0	1.8	2.0	–16.1 b. Kr. (–3,077 m. SDRs)	–17 b. Kr. (–2,997 m. SDRs)
Switzerland	4.0	2.0	1.3	1.3	0.4	0.4	+8.5 b. Fr. (+3,029 m. SDRs)	+8.5 b. Fr. (+3,499 m. SDRs)

* Figures in national currencies have been converted into SDRs by using the average SDR rate for 1977 and the rate at the end of 1977 for 1978.

for fish increased substantially. It is expected that developments in 1978 will also be favourable, although it is unlikely that the terms of trade will improve further. Unemployment remains extremely low. The main problem of the Icelandic economy is the continuing strong inflation. In fact, a further acceleration of price increases is likely in 1978.

The *Portuguese economy* is still strongly under the influence of the after-effects of the 1974 revolution. The population has sharply increased as a result of the inflow of people from the former colonies, substantial markets abroad have been lost and internal structural changes are still going on. Some recovery in the growth of the economy was recorded in 1977, but unemployment is very high and is not expected to fall in the current year. Prices have been rising steeply and very large deficits on the current account of the balance of payments have been recorded. So as to begin to reduce the foreign deficits a policy of greater restraint is now being adopted and a more modest rise in GNP is forecast for 1978. The balance of payments will, however, inevitably continue to show fairly high deficits and Portugal will have ro rely on foreign finance to cover them.

The *Swiss economy* developed better than originally expected in 1977 and GNP rose fairly strongly. The expansion in production, which was achieved at practically stable prices, followed consecutive declines in domestic production in 1975 and 1976, and GNP in 1977 was still below that of 1974 and even below that of 1972. The rate of growth in 1978 is forecast to be much lower than last year, but it is expected that prices will remain stable and that there will be virtually no unemployment. It should be remembered that the size of the working population has been reduced sharply in the last few years. The balance of payments on current account recorded a strong surplus in 1977, although the trade balance returned to deficit. Net invisibles remain, however, in strong surplus, to an important extent because of receipts from investments abroad. A current account surplus of about the same size as in 1977 is expected in 1978. ■

Economic indicators from the EFTA countries

AUSTRIA	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1971 = 100	Nov. 1977	130.9	+ 0.7	– 0.3
Building and construction					
Monthly production value	mill. Sch.	Oct. 1977	5,779.1	+ 0.2	+15.2
Retail trade					
Volume index of retail sales	1973 = 100	Oct. 1977	124.9	+ 4.1	+10.8
Labour					
Employment index (a)	1956 = 100	Dec. 1977	128.5	+ 0.2	+ 1.3
Unemployment	thousands	Dec. 1977	75.1	+22.7	+10.5
Unemployment rate	percent of labour force	Dec. 1977	2.7	2.2(b)	2.5(c)
Prices					
Index of consumer prices	1976 = 100	Dec. 1977	106.5	+ 0.3	+ 4.6
Index of wholesale prices	1976 = 100	Dec. 1977	102.9	+ 0.8	+ 1.3
Wages					
Index of wage earnings	1966 = 100	Dec. 1977	307.2	0	+ 8.6
Foreign trade					
Imports – value	mill. Sch.	Dec. 1977	20,816	– 9.7	+ 9.5
Imports – unit price index	1971 = 100	Nov. 1977	136	– 0.7	+ 3.8
Exports – value	mill. Sch.	Dec. 1977	14,655	+ 1.8	– 0.1
Exports – unit price index	1971 = 100	Nov. 1977	133	– 0.7	0
Exchange rate	Schillings per dollar	1 March 1978	14.3975	15.25(b)	18.37(c)

ICELAND	Unit
Fish catch	
Volume	thousand tons
Production for exports	
Value	mill. Kr.
Labour	
Unemployment	number
Unemployment rate	percent of labour force
Prices	
Index of consumer prices (quarterly index)	1st Jan. 1968 = 100
Wages	
Index of hourly wages	1969=100
Foreign trade	
Imports – value	mill. Kr.
Imports – unit price index(d)	1972 = 100
Exports – value	mill. Kr.
Exports – unit price index(d)	1972 = 100
Index of terms of trade(d)	1972 = 100
Exchange rate	kronur per dollar

FINLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1970 = 100	Nov. 1977	136	+ 1.5	– 0.7
Building and construction					
Buildings completed	mill. cub. met.	3rd quarter 1977	10.23	+16.8	+ 6.5
Retail trade					
Volume of cooperative retailing(a)	1972 = 100	Oct. 1977	111	+ 1.8	– 7.5
Labour					
Employment	thousands	Nov. 1977	2,028	– 2.0	– 3.4
Unemployment	thousands	Feb. 1978	197	0	+50.4
Unemployment rate	percent of labour force	Feb. 1978	9.1	9.0(b)	6.1(c)
Prices					
Index of consumer prices	1972 = 100	Dec. 1977	204.1	+ 0.2	+11.9
Index of wholesale prices	1949 = 100	Dec. 1977	705	0	+ 7.0
Wages					
Index of wages and salaries	1964 = 100	4th quarter 1977	442	+ 0.2	+ 8.9
Foreign trade					
Imports – value	mill. markkaa	Jan. 1978	2,630	–13.7	+10.1
Imports – unit price index	1975 = 100	3rd quarter 1977	130	+ 4.0	+19.3
Exports – value	mill. markkaa	Jan. 1978	2,510	–20.5	+ 1.7
Exports – unit price index	1975 = 100	3rd quarter 1977	122	+ 3.4	+16.2
Exchange rate	markkaa per dollar	3 March 1978	4.1490	4.004(b)	3.8110(c)

NORWAY	Unit
Industrial production	
Volume index(a)	1970 = 100
Building and construction	
Buildings completed	thousand sq. metres
Retail trade	
Index of retail sales(a)	1975 = 100
Labour	
Unemployment	thousands
Unemployment rate	percent of labour force
Prices	
Index of consumer prices	1974 = 100
Index of wholesale prices	1961 = 100
Wages	
Index of hourly earnings (male workers)	1974 = 100
Foreign trade	
Imports – value(e)	mill. Kr.
Imports – unit price index	1970 = 100
Exports – value(e)	mill. Kr.
Exports – unit price index	1970 = 100
Exchange rate	Kroner per dollar

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

PORTUGAL	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index(f)	1970 = 100	Sept. 1977	165.8	+38.4	+17.0
Building and construction					
Building permits issued	number	3rd quarter 1977	19,097	+ 3.2	+18.1
Labour					
Employment	1968=100	3rd quarter 1977	106.3	+ 0.3	+ 0.6
Prices					
Index of consumer prices in Lisbon (housing excluded)	1976 = 100	Jan. 1978	139.4	+ 1.2	+27.3
Index of wholesale prices (Lisbon area)	1963 = 100	Oct. 1977	350	+ 2.0	+25.9
Wages					
Index of wages in agriculture (men)	1968 = 100	Nov. 1977	404.5	+ 1.8	+13.1
Index of wages in industry and transportation (Lisbon area)	1968 = 100	3rd quarter 1977	541.9	+ 3.1	+13.3
Foreign trade					
Imports – value	mill. Escudos	Dec. 1977	17,102	–16.3	+17.0
Exports – value	mill. Escudos	Dec. 1977	7,166	–14.9	+31.6
Exchange rate	Escudos per dollar	3 March 1978	40.255	40.116(b)	38.860(c)

Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Nov. 1977	55.0	–49.2	– 9.1
Oct. 1977	9,344	+ 5.9	– 6.8
Dec. 1977	817	+88.9	+ 4.9
Dec. 1977	0.8	0.5(b)	0.8(c)
1 Nov. 1977	945	+10.0	+30.0
4th quarter 1977	923.1	+ 7.0	+49.2
Dec. 1977	17,199.4	+41.0	+47.9
1st quarter 1977	179.7	+ 6.8	+ 8.6
Dec. 1977	12,271.4	+72.7	+91.7
1st quarter 1977	189.4	+12.4	+24.4
1st quarter 1977	105.3	+ 3.1	+14.5
28 Feb. 1978	253.40	218.60(b)	191.60(c)

SWEDEN	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1968 = 100	Nov. 1977	137	– 0.7	– 3.5
Building and construction					
Dwellings completed	thousands	Nov. 1977	4.7	+14.6	–14.6
Retail trade					
Index of retail sales	May 1970 = 100	Sept. 1977	199	+ 3.6	+ 9.9
Labour					
Employment	thousands	Dec. 1977	4,094	– 0.2	– 0.1
Registered unemployment	thousands	Dec. 1977	77	– 1.3	+26.2
Unemployment rate	percent of labour force	Dec. 1977	1.8	1.9(b)	1.5(c)
Prices					
Index of consumer prices	1949 = 100	Dec. 1977	447	+ 0.7	+12.6
Index of producer prices (manufactured products)	1968 = 100	Nov. 1977	213	+ 0.4	+ 7.7
Wages					
Index of direct wages in mining, quarrying and manufacturing	1947 = 100	Nov. 1977	1,461.1	+ 5.0	+ 8.8
Foreign trade					
Imports – value	mill. Kr.	Jan. 1978	7,200	–11.7	+ 0.4
Imports – unit price index	1959 = 100	3rd quarter 1977	268	+ 3.9	+12.6
Exports – value	mill. Kr.	Jan. 1978	6,900	–12.7	+11.1
Exports – unit price index	1959 = 100	3rd quarter 1977	263	+ 2.3	+ 6.0
Exchange rate	Kronor per dollar	3 March 1978	4.5775	4.6600(b)	4.2285(c)

Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Dec. 1977	122	+ 3.4	– 1.6
Dec. 1977	4,589	+ 1.4	– 2.0
Dec. 1977	160	+12.7	– 2.4
Dec. 1977	19.2	+25.5	–15.1
Dec. 1977	1.3	1.0(b)	1.1(c)
Jan. 1978	139.2	+ 2.1	+ 9.3
Dec. 1977	223	0	+ 5.2
3rd quarter 1977	156	0	+ 9.1
Jan. 1978	4,762	– 7.5	+17.9
3rd quarter 1977	175	+ 0.6	+ 5.4
Jan. 1978	3,153	–13.4	+ 2.1
3rd quarter 1977	173	+ 0.6	+ 0.6
3 March 1978	5.3270	5.1425(b)	5.2775(c)

SWITZERLAND	Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production					
Volume index	1963 = 100	3rd quarter 1977	145	– 2.7	+ 6.6
Building and construction					
Dwellings built	number	Jan. 1978	452	–50.1	+ 3.7
Retail trade					
Index of retail sales	1949=100	Dec. 1977	632.1	+24.7	+ 1.2
Labour					
Employment index	3rd quarter 1966 = 100	3rd quarter 1977	91.4	+ 0.2	+ 0.2
Unemployment	number	Jan. 1978	15.097	+30.5	–28.0
Unemployment rate	percent of labour force	Jan. 1978	0.8	0.4(b)	0.7(c)
Prices					
Index of consumer prices	Sept. 1977 = 100	Jan. 1978	100.3	0	+ 1.0
Index of wholesale prices	1963 = 100	Jan. 1978	144.7	– 0.5	– 2.4
Wages					
Hourly earnings of workers	S. Fr.	3rd quarter 1977	11.13	0	+ 2.1
Monthly earnings	S. Fr.	3rd quarter 1977	2,582	+ 0.5	+ 1.7
Foreign trade					
Imports – value	mill. Fr.	Jan. 1978	3,362.5	– 5.1	+ 9.7
Imports – unit price index	1970 = 100	Dec. 1977	122.0	– 1.9	0
Exports – value	mill. Fr.	Jan. 1978	3,152.1	–21.9	+ 4.0
Exports – unit price index	1970 = 100	Dec. 1977	131.5	+ 0.3	– 2.4
Exchange rate	Francs per dollar	6 March 1978	1.8900	1.9625(b)	2.5525(c)

The position of the employer in European cooperation

A Nordic perspective

By Erik Hoff, Norwegian Employers' Confederation

The present situation.

Industrial and employers' federations of EFTA countries do not have any sort of common organisation. They participate in EFTA activities through membership of the EFTA Consultative Committee. In connection with EFTA meetings there are quite naturally informal consultations between employers' representatives. But formally—for the discussion of European matters—they participate at meetings of UNICE (Union des Industries de la Communauté Européenne) in Brussels.

UNICE is the organisation of industrial and employers' federations of member countries of the European Communities. For the time being federations of EFTA countries only hold associate memberships of UNICE.

In principle UNICE deals with general European matters, but in real life there is not much capacity for problems which are not related to the European Communities. As a reflection of the wide range of activities within the Communities, there is in fact more than enough to do for UNICE. There are UNICE departments for Economic and Monetary Affairs, External Relations, Industrial Development, Legal and Fiscal Affairs, Social Affairs, Information and Public Relations and Agriculture and Food Industries. There is a great variety of committees where all members and associated members are invited to take part. In the case of employers' federations, the most relevant committees are those of Employment, Living and Working Conditions, Vocational Training, Social Affairs, Multinational Enterprises, Representation of Workers' Interests, Environment and Small and Medium-sized Enterprises. The industrial federations may choose from a much wider range of committees, some of them are: Economic Policy Steering Group, Regional Policy, Trade Policy, Preferences, Customs, Raw Materials, Energy, Developing Countries, Transport, Consumer Policy, Legal Questions, Patents and Rules of Competition.

For the main decisions there are meetings of the Executive Committee and the Council of Presidents. Every two meetings of the Council of Presidents are reserved for Community member federations, but recently the associated members were entitled to choose their own candidate for one of the two positions of vice president.

What about the future?

During the year of 1977 the 8 industrial and employers' federations of Denmark, Finland, Norway and Sweden have discussed the prospects of improving cooperation between employers internationally—particularly on the European level. The fact that there is a rich variety of organisations dealing with employers' problems in Europe, that the European countries have been divided in two different market organisations and some countries are remaining outside both, has caused grave concern among leaders of Nordic employers' and industrial organisations. Another reason for consideration is the increased activities of the European trade union federations and notably the creation of ETUC, the European Trade Union Congress. Through ETUC initiatives in particular, there has been a substantial shift of interest from traditional trade matters to social and labour market questions.

To be able to handle new matters the Nordic employers feel that there is a need for better cooperation between the organisations on the European level representing national federations of employers and industry. There is—most probably—a need for a concentration of efforts through one main organisation where the responsible leaders of every European employers' and industrial federation may meet and discuss with their colleagues the main and most important industrial and labour market problems of the time. They must know that such a meeting—perhaps once a year—will be a real summit meeting of industrial and employers' federations of Europe, and they must know that it is the real intention of every delegation to try to find common platforms. The decisions of such a summit meeting should be carried out in the various European institutions by those persons who are already there as employers' representatives.

The ideal solution would perhaps be to create a completely new organisation in Europe for employers and industrialists. We do not think—however—that this is a practical and realistic way to act, at least not for the time being.

Instead we feel that it is worth while trying to build into one of the existing organisations the prestige and the power necessary to become a "roof organisation" for European employers and industrialists.

The Nordic federations hope that it would be possible to strengthen UNICE to become such an organisation.

UNICE

This organisation is at present the only general European organisation for coordination of employers' interests. The Nordic federations are determined to keep their memberships in UNICE and to seek to improve the efficiency of the organisation. They wish to support efforts to improve the working conditions of UNICE and to extend the working capacity of the organisation without limitation of the present field of activities. Up to now UNICE has mainly concentrated on Community business, which naturally is the main interest of the members. The Community matters must also in the future be given top priority. Changes in the patterns of the European labour market and the interrelations of the main trade organisations in Europe indicate, however, that UNICE ought to be developed into a broader

European organisation for industry and employers which should include as many European countries as possible, in any case the members of the European communities and EFTA. The creation of one free trade area for EEC and EFTA on 1st July 1977 suggests a solution of this kind.

The prospects of increasing the capacity of UNICE seem more realistic—and less expensive—than establishing a new European organisation. UNICE should be able to act as spokesman of European industry and employers in relations with other international organisations—and also be the opposite number of ETUC on the European level.

The European Communities

Of the Nordic countries only Denmark is a member of the European Communities. Danish Employers' Confederation and the Federation of Danish Industries are very much involved in the different organs of the Communities which are becoming increasingly "tripartite". In the case of the other Nordic countries, their relations with the Communities are mostly direct, through diplomatic channels—but also through UNICE and ETUC.

It is self evident that federations of Community member countries should play a *primus inter pares* role in relations with the 3 European Communities and that they should be able to conduct inter-community matters as a group and with the necessary discretion.

EFTA

The Swedish, Norwegian, Finnish and Icelandic federations are represented in EFTA's Consultative Committee together with representatives of other sectors, e.g. trade, banking, agriculture, cooperative organisations and trade unions. The activities of EFTA have increased during the later years. The Consultative Committee in particular has become more active, and the representatives of industry and employers have had fairly good scope for exercising influence, particularly when there have been common interests with the trade unions.

Industrial and employers' federations of EFTA countries should continue to give importance to the work of EFTA's Consultative Committee and actively use all possibilities of initiative and influence.

The representatives of industrial and employer's federations who are members of the Consultative Committee should try to see that UNICE decisions on general European policy in matters of trade and labour relations are implemented in EFTA.

Other European organisations

Industrial and employers' federations participating in the activities of UNICE should stay members of some other organisations which do not overlap with UNICE, such as the International Organisation of Employers (IOE) which is efficient and well organised in coordinating employers' activities with the ILO, the Business and Industry Advisory Committee (BIAC) which coordinates industrialists' and employers' activities within OECD and also the International Chamber of Commerce (ICC).

Employers' delegates and representatives of these organisations should endeavour to introduce common employers' policies as agreed upon through decisions within UNICE.

In my view everybody—public authorities, trade unions and employers—would gain from a better coordination of the interests of manufacturing and commercial enterprise in Europe. ■

Two new reciprocal recognition schemes in force

From the beginning of this year two new international schemes designed to facilitate trade in particular groups of products came into force. One concerns lifting appliances of all kinds for transporting either passengers or goods. One concerns appliances that use liquid fuel for heating purposes. In both cases the products are of a kind where there can be an element of danger if they don't work properly: if the lift falls or the stove catches fire, for example. In most countries therefore governments or local authorities see to it that there is an office or a body responsible for laying down certain rules about the design and construction of appliances of these kinds and for ensuring that the rules are observed.

Although the purpose of the rules is in general the same, the specific regulations can and often do differ considerably. They necessarily have a certain relationship to the type of product available in the country in question, to the conditions in which they are used and perhaps to other local factors. Some of these national differences disappear when international standards are widely accepted. But there is still a problem in so far as the responsible authorities require that products be tested or inspected before they can be put on the market and used or installed. Normally the authorities will rely on the services of a national or local body to carry out the testing or inspecting. A potential foreign supplier needs not only to know what the requirements are that his product must meet but also to obtain the necessary approval for the appliance he manufactures.

This is where the "reciprocal recognition" principle—the basis of the two new schemes—comes into play. If the authority responsible in one country can accept the findings of tests or inspections carried out by a recognised testing body in another country on the basis of the former's requirements, then the process of obtaining approval is greatly simplified. There is, for example, no need to send the product over to the other country for the testing.

This is a principle which is already applied under four other schemes which have now been in force for six or seven years and which cover pressure vessels, ships' equipment, agricultural machines and tractors, and gas appliances.

Like these, the new schemes each take the form of an agreement between the authorities responsible in a number of countries for approving the equipment in question. (In the heating equipment scheme the authorities are designated "approval bodies"). To begin with, all the countries concerned were EFTA countries since the ideas were first worked out within EFTA but the geographical coverage of the four older schemes is now wider.

Each authority participating "recognises" certain testing institutions in the other countries in the sense of accepting their competence to test the conformity of certain products to the requirements of the authority. There is thus no question of any watering down of national requirements nor of any harmonising of them: simply an acceptance of tests carried out by a body in one of the other countries. The tests are carried out in conformity with the requirements and procedures of the authority whose approval is sought. One of the prerequisites for the effective working of the schemes is therefore that the participating authorities should formally recognise some testing institutions in the other countries. It is explicitly stated in the texts of the schemes that the decision to recognise a testing institution must be based solely on the technical competence, the reliability and the integrity of the institution, and the adequacy of its testing facilities.

While the schemes were being worked out it was possible to list in the draft the names of the institutions in the EFTA countries which in fact test lifting or heating appliances in accordance with national regulations. Recognition of these institutions will be granted as the need arises within the framework of the schemes. Testing institutions which are already well known to a participating authority (as is the case within the Nordic countries) will probably be readily recognised, whereas in the case of other institutions it may be necessary for the authority first to know the institution and its regulations in more detail. It is therefore expected that the development of the schemes will be gradual, that it will be applied in the near future so far as some testing institutions are concerned but that may take some time before the schemes become fully operational in respect of all countries.

In some countries there may be only one such institution under each scheme, as in the case of Iceland where the State Electrical Inspection is equipped for the testing of electrical lifting equipment and installations. In others there may be several national bodies, as in Finland where one body deals with electrical installation and the electrical components of lifting appliances while another is equipped for testing certain non-electrical characteristics of the appliances. In Austria there is no single national body, the testing of some kinds of lifting appliances being done by authorities in the individual "Länder" or provinces.

The manufacturer who wishes to be able to export to one of the other countries covered by one of the schemes has to send to the participating authority in that country the designs and specifications or technical data of his product and must also at the same time put forward the name of the recognised testing institution where he suggests the testing could be done. The names and addresses of the participating authorities and approval bodies are given on the page opposite. As for the testing institutions, normal practice would be to name one in the manufacturer's own country but in the absence of such a body it would be possible to select one in another of the countries concerned.

Since there are certain differences in the other features of the schemes, the way in which they work will be clearer if these features are now presented separately.

Lifting appliances

This scheme applies to any lifting, handling, loading or unloading machinery. It thus covers such products as building cranes, harbour cranes, travelling cranes, deck cranes, lifts whether for passengers or goods, escalators, ski lifts, mine lifts and fork lift trucks. It also applies to any accessories or components which are subject to approval by a participating authority. The extent to which equipment of these kinds requires approval varies from one country to another.

Many of these lifting appliances have to be tested or inspected after they are installed. The scheme does not cover these obligations, if only because the idea of a reciprocal recognition would not have any sense when the inspection has to be done on the spot. Yet the scheme has it usefulness in this connection since it is possible to have, for example, the wire ropes or certain electrical components or steel parts tested in the country of manufacture.

Lifting appliances

List of participating authorities (as of 22 February 1978)

Austria
All lifting appliances:
Technischer Überwachungsverein Wien
(Association for Technical Controls)
Krugerstrasse 16
A-1015 Wien

Finland
Cranes, certain temporarily installed lifts, aerial single-ropeways and other appliances and their auxiliary gear intended for the lifting and transport of persons or goods:
Työsuojeluhallitus
(National Board of Labour Protection)
Hämeenkatu 13 b.A
SF-33100 Tampere 10
Permanently installed passenger and/or goods lifts, lifting doors, escalators, special lifts for high stores and other similar lifting devices on land:
Electrical Inspectorate
Särkiniementie 3
P.O. Box 21
SF-00211 Helsinki 21

Iceland
All lifting appliances:
Öryggiseftirlit rikisins
(State Directorate for Labour and Industrial Safety)
Sidumuli 13
P.O. Box 5527
IS-105 Reykjavik

Norway
Cranes, suspended scaffolds and conveyors:
Direktoratet for arbeidstilsynet
(Directorate of Labour Inspection)
Fridtjof Nansens vei 14
Postboks 8103
Oslo Dep.

Switzerland
Lifts for passengers and goods installed in factories subjected to compulsory accident insurance:
Schweizerische Unfallversicherungsanstalt (SUVA)
Fluhmattstrasse 1
CH-6002 Luzern
Construction lifts, tower cranes, lifting platforms, suspended scaffolds, cranes in factories, hoists, car lifts, continuous handling equipment, fork lift trucks, racking conveyors:
SUVA
All electrical equipment:
Eidg. Starkstrominspektorat
Seefeldstrasse 301
Postfach
CH-8034 Zurich

Heating equipment using liquid fuel

List of participating approval bodies (as of 22 February 1978)

Austria
Technischer Überwachungsverein Wien
(Association for Technical Control)
Krugerstrasse 16
A-1015 Wien

Finland
Atomizing oil burners, oil heating plants and domestic boilers
1. Teknillinen tarkastuslaitos (Technical Inspectorate)
Nervanderinkatu 5 D
SF-00100 Helsinki 10
Other equipment, i.e. vaporizing oil burners from group 1 and groups 3, 4 and 5
2. Sisäasiainministeriö
(Ministry of Interior Affairs)
Uudenmaankatu 40 A
SF-00120 Helsinki 12

Iceland
Öryggiseftirlit rikisins
(State Directorate for Labour and Industrial Safety)
Sidumuli 13
P.O. Box 5527
IS-105 Reykjavik

Norway
Statens branninspeksjon
(National Inspectorate of Fire Services)
Dronningens gt. 32
P.O. Box 498, Sentrum,
N-Oslo 1

Portugal
Direcçao-Geral de Qualidade
(Directorate-General for Quality Control)
Rua José Estêvao 83
P-Lisboa

Sweden
Statens Provningsanstalt
(Swedish National Authority for Testing, Inspection and Metrology)
Box 857
S-50115 Borås

Switzerland
Vereinigung kantonaler Feuerversicherungen
(Association of cantonal fire insurance establishments)
Bundesgasse 20
CH-3011 Bern

Once the manufacturer has applied to a participating authority for approval and submitted the designs and technical data, the authority must inform him without undue delay whether these are acceptable. If they are, the product can then be tested by the institution named by the manufacturer if it is recognised by the authority. If it is not recognised, the authority will invite the manufacturer to select another. The report of the testing institution will be given to the manufacturer for forwarding to the authority.

In some countries, marks or seals of approval are given for lifting appliances that fulfil national requirements. If tests made under the scheme show that a product conforms with the requirements for approval, the participating authority in the importing country will give the manufacturer the right to apply its mark of approval.

Heating equipment using liquid fuel

This scheme applies to any appliances that use liquid fuel for heating purposes and thus covers such products as oil burners, domestic boilers, air heaters and dryers, oil stoves with flue connection, portable heaters and portable cooking and lighting appliances. It also covers any accessories mounted on these appliances which are necessary for their safe functioning. Not all equipment of these kinds requires approval in all the countries concerned.

After a manufacturer has submitted the designs and specification of the equipment to an approval body, the latter must inform him without undue delay whether these are acceptable. It also informs the testing institution—either the one originally proposed by the manufacturer or another selected by him from the list of recognised institutions. When the type testing has been done by the institution it sends a report to the approval body, setting out the details and results of the tests or inspection so that the approval body can determine whether its requirements have been met.

In a country where marks or stamps of approval are given for heating equipment that meets national requirements, the approval body may give the manufacturer of equipment successfully tested under the scheme in another country the right to apply its mark of approval.

The scheme also incorporates some separate provisions relating to the electrical safety of the equipment or of parts of it. This is because there are also commonly requirements which call for the testing of electrical equipment and parts to see that they are safe. Here, the drafters of the scheme had recourse to an agreement which is older than any of the reciprocal recognition schemes but is based on the same principle. This was an agreement, dating from 1969, between the electrical testing stations in the EFTA countries (but not Iceland) which enabled them to accept each other's tests in the case of products for which there are internationally harmonised specifications (under the CEE scheme) but not yet any international arrangements for the exchange of certificates of conformity to these specifications, apart, of course, from the 1969 agreement covering the EFTA countries. Thus it will be possible to have the electrical parts of heating equipments tested by any of the recognised electrical testing institutions in the EFTA countries.

Other common features of the schemes

As has already been mentioned the four older schemes apply not only to the EFTA countries but also to some others. Denmark and the United Kingdom, which were members of EFTA at the time that they came into force, are represented in each of them. Other countries covered by one or other of the schemes include Italy in the gas appliance scheme and the Federal Republic of Germany, the Netherlands and Yugoslavia in the ships' equipment scheme.

The new schemes contain the same provisions for the entry and participation of authorities which are responsible for approving lifting or heating appliances in other countries. If they are situated in a GATT country, their participation takes effect automatically three months after they request to join. In the case of other countries, the consent of all authorities participating is required.

For the time being the participants in the new schemes are all from EFTA countries. The two groups of experts that worked out the details of the scheme were of the opinion that it was desirable that they should come into force as soon as possible between the EFTA countries. Once experience had been gained of the actual working of the schemes it would be appropriate to invite authorities from other countries to take part. Then, if necessary, it would be possible to make amendments which would take account of the particular needs of potential new participants. But there was general agreement among the experts that it was important to have as wide a participation as possible in the new schemes.

The full texts of the schemes, including the lists of recognised testing institutions, will shortly be available both from the EFTA Secretariat and from the participating authorities. ■

EFTA

The month in EFTA

The regular schedule of weekly meetings of the EFTA Councils has twice been interrupted this year to provide time for the many meetings involved in the multilateral trade negotiations between the EFTA countries and Spain. A new round of negotiations was to take place towards the end of February but was postponed because of the Ministerial changes in Spain, and will be held in the first week of April. By the end of this round it should be much clearer how much time will be needed to reach an agreement.

Work on strictly EFTA matters continues to be largely concentrated on the "Vienna follow-up": the attempt to embody in specific actions the principles that were agreed at the summit meeting of the EFTA countries in Vienna last year. The consolidation of free trade was one of the principles; and the Councils agreed in February to embark on an exchange of information that would make it possible to determine the importance of non-tariff barriers in the context of the free trade area. As is noted elsewhere in this issue of the Bulletin, the Committee of Trade Experts has now determined the procedure to be used in the preliminary exchange of information. Non-tariff barriers, which can be of very many kinds, can limit imports as effectively as tariffs and are potentially more significant when customs duties have been abolished.

A more specific aspect of potential non-tariff barriers to trade was discussed by the Economic and Social Sub-Committee of the Consultative Committee which devoted a large part of its recent meeting to government aids to industry. The problem is a well recognised one. At times like the present, when many industries face acute difficulties, governments come under strong pressure to shield them from import competition. Under what circumstances can the subsidies or other forms of aid they may then provide be compatible with a liberal trade order? The Sub-Committee agreed that it was necessary to survey the state assistance now being given in order to see to what extent it distorted trade flows. This conclusion will no doubt be studied by the Consultative Committee itself when it meets in mid April.

"The month in EFTA" covers the interval between two issues of the Bulletin rather than a calendar month. It will present short reports on developments in EFTA, sometimes highlighting an event or meeting which seems of particular interest, sometimes giving a more general picture of recent EFTA activities.

Committee of Trade Experts

Non-tariff barriers

The Committee of Trade Experts, meeting at the end of February, agreed on the procedure to be followed by the EFTA countries in notifying to the EFTA Secretariat the non-tariff barriers to trade experienced within the EFTA area.

The formulation of the procedure makes it now possible for the EFTA countries to proceed to the next stage of the examination of the importance of non-tariff barriers to trade. This is being done as part of the search for ways of consolidating the industrial free trade between them. The objective is to give effect to the commitment to the free trade concept which was reaffirmed at the summit meeting of the EFTA countries in Vienna last year. The review of non-tariff barriers is seen as complementary to the work on the same subject in the GATT negotiations.

As proposed by the Committee, the procedure contains a classification of types of non-tariff barrier as well as a form for the notifications.

Portuguese balance of payments

The Committee also studied the measures taken by the Portuguese Government towards the end of last year as a mean of arresting the deterioration in the Portuguese balance of payments. The import deposit scheme had been abolished and the coverage of the import quota system reduced, but the system itself and the application of the import surcharge scheme had been prolonged. The representatives of the other EFTA countries expressed their sympathy with the Portuguese over the difficult economic situation but expressed the hope that it would become possible to replace the import restrictions by internal measures.

Finnish import equalization tax

In addition the Committee reviewed the modified details and possible effects on the import equalization tax which is levied in Finland on imported products in order to offset the hidden turnover tax that is included in the prices of similar domestic products. The basis of the calculation of the import equalization tax was altered last year to make it reflect more accurately the extent of the hidden tax burden. Several members of the Committee pointed out that the continuing use of the tax caused concern in their countries and could possibly lead to demands for similar measures.

Finnish import levy on farm products

The Committee concluded its examination of the revision of the Finnish import levy system on agricultural products. It was of the opinion that the revision seemed to have no effect of trade distortion, nor did it seem to affect free trade in EFTA.

Origin and Custom Experts

Now that the work of producing a consolidated text of the origin rules in EFTA and under the Free Trade Agreements (FTAs) has been completed, the Committee of Origin and Customs Experts turned its attention at a meeting in February to the question of a general review of the origin rules.

Proposals for origin rule changes

For a long time the EFTA countries have been advocating a number of changes that would simplify the system, including the introduction of a percentage criterion as an alternative title to free trade treatment, and a widening of the cumulation rules. There had been little progress so far on either of these suggestions, or on some other more detailed proposals for amendments, while the experts in the EEC and EFTA have been preoccupied with other aspects of the rules.

At the February meeting the Committee agreed to maintain the proposals in the hope that they would be taken up for discussion in connection with the meetings, in May, of the bilateral Customs Committees established under the FTAs.

Preferences for developing countries

After a discussion at the same meeting the representatives of the five EFTA countries which give tariff preferences to developing countries sent invitations, via the UNCTAD Secretariat, to developing countries that form part of regional groupings to submit claims for cumulative origin treatment under the new common system applied by the five countries.

The common system would in future enable such countries to claim preferential treatment even for products that incorporate materials which originate in another preference-receiving country in the same regional group.

Economic and Social Sub-Committee

Concern at the continuing slackness in international economic activity was expressed by the Economic and Social Sub-Committee of EFTA's Consultative Committee at a meeting held on 1st to 3rd March.

The economic outlook

The Sub-Committee which consists of representatives of employers, unions and governments from the seven EFTA countries, felt that the slackness would present economic problems for most EFTA countries. Some speakers doubted that it would be possible to achieve the concerted action to stimulate economic activity which was recommended by the Economic Policy Committee of the OECD. Moreover, for those OECD countries whose balances of payments were still in serious deficit first priority necessarily continued to be given to improving the balances.

The general repercussions of the floating exchange rate system on world trade and on domestic economic policies were also discussed by the Sub-Committee. It was agreed that each of the seven national delegations would prepare for the next meeting a report on the role of export and import prices in the determination of incomes in its country.

Government aids

Government aids to industry were the third main theme on the agenda of the Sub-Committee. Both in EFTA countries and elsewhere governments were giving various kinds of subsidy or other forms of support to domestic industries that were facing difficulties. In the view of the Sub-Committee there was a need to survey the range of these aids to industry in order to see to what extent they distorted trade flows.

Economic Committee

The Economic Committee met in Geneva from 8th to 10th March 1978. It reviewed the present international situation and also discussed, on this occasion, recent developments and prospects in Austria and Finland.

The Committee observed that the prospects for faster growth in the OECD area were still not very good. Furthermore, the divergencies in current account balances remained considerable and most of the smaller countries were showing deficits. Most EFTA countries were in more or less serious external imbalances and it could not be excluded that this situation would persist for some time. The Committee discussed various alternative policies open to the EFTA countries and stressed that in the present uncertain situation it was particularly useful for these countries to exchange views and experiences on policy questions.

In the survey of recent developments and prospects in Austria and Finland, the policies adopted by these two countries to improve their economic situations were discussed and special attention was paid to medium term prospects and to the structural adjustments required in the current international economic situation.

Expert group on trademark law

The ad hoc group of EFTA experts on trademark law met for the third time from 27th February to 1st March. They examined in detail the main provisions of the present draft regulation for the creation of an EC trademark system, noting in particular the specific provisions which might have an effect on the interests of the EFTA countries.

At the group's next meeting, in June, the experts plan to complete a report to the EFTA Council on their conclusions.

Book reviews

L'Europe et les ressources de la mer ou le débat sur la croissance économique (Europe and the resources of the sea or the debate on economic growth) by Orio Gianni, Henri Loubergé and Henri Schwamm (Edition Georgi, CH-1813 St. Saphorin, 172 pages)

To what extent can the sea replace traditional resources if the growth rate threatens to exhaust dwindling material resources? This is the question which two economists and an oceanographer asked themselves, with particular reference to Europe and its needs. Their findings—divided into living resources and other resources—show that Europe possesses a vast continental shelf of considerable wealth. Europe has much to gain from the development of the oceans but also much to lose if it acts too late or in the wrong way. Without going so far as to set out a policy, the authors do not hide their preference for a reasonable and reasoned exploitation of the sea. Confronted with a medium which knows no frontiers, it is essential, they conclude, that there be a common plan and not separate national policies.

CADMOS Quarterly Review (in French). 100 pages, annual subscription SwFr. 36. (Centre européen de la culture et Institut universitaire d'études européennes de Genève, CH-1211 Genève 21)

For the last 26 years, the Institut universitaire d'études européennes and the Centre européen de la culture, Geneva, have published a quarterly review. The first issue of 1978 has just come out, with a new presentation and a new title—"CADMOS". Dedicated to the theme of the writer and politics and the question of involvement, it includes highly interesting contributions from Denis de Rougemont, André Reszler, Miklos Molnar and Jean Starobinski. Some of the subjects for future editions of the reviews: the intellectual and Europe, ecology and politics, the European debate in books.

University studies on European integration, published by the Centre for European Studies, Catholic University of Louvain, No. 9-1977, Halles universitaires 1348, Louvain la Neuve, Belgium

The Centre for European Studies in Louvain has just published the ninth in a series of surveys started by the European Community Institute for University Studies. This bibliography, covering 29 countries, indexes 427 doctorate theses in progress and 332 completed since October 1973, together with 315 research papers in preparation and 346 completed papers. 87 of these studies come from EFTA countries, including 56 from Switzerland.

The studies are classified according to their content. It is impossible in so few lines to go into detail, given the quantity of individual studies, but among the main themes treated the following are prominent: the European Parliament, the environment, the admission of new members, economic and monetary union, agriculture, external relations, political aspects of integration. EFTA is also the subject of several studies.

Drug Information Sources is an annotated international reference guide to publications dealing with prescription pharmaceutical products throughout the world and lists also names and addresses of professional and trade pharmaceutical organisations in each country. Compiled by J. B. Revill, B.Sc., A. I. Inf. Sc.; published by Gothard House Publications, Henley-on-Thames, England; price £10.50.

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☐ **EFTA—what it is, what it does.** This brief folder leaflet gives general information about the history and purposes of EFTA. Available in bulk or single orders. *English, French, German* and *Portuguese*.

☐ **The European Free Trade Association.** A 14-page booklet outlining the history and working of EFTA. Also contains a section on the Free Trade Agreements with the EC. *English, French, German, Norwegian, Swedish* and *Portuguese*.

☐ **EFTA in a changing world.** EFTA Bulletin No. 4 of 1975. Twelve views on EFTA and its future on the fifteenth anniversary of its founding. *English, French* and *German*.

☐ **Structure, rules and operation of the European Free Trade Association.** A full account of EFTA's history, achievements and current activities. 146 pages. *English, French, German, Finnish, Swedish, Norwegian* and *Portuguese*.

☐ **The EFTA Industrial Development Fund for Portugal.** A short leaflet containing general information about the Fund, the statutes, and some statistical data on Portugal. *English, German* and *Portuguese*.

Trade studies

☐ **EFTA Trade 1975.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1975 with a substantial statistical appendix. It also includes an analysis of the trade of the seven EFTA countries with the EC countries after the enlargement of the Communities and the coming into force of the Free Trade Agreements. *English, French* and *German*.

☐ **The trade effects of EFTA and the EEC 1959-1967.** Also of interest mainly to economists. Contains 168 pages with 77 tables. *English, French* and *German*.

☐ **EFTA Facts and Figures.** A 14-page booklet giving statistical information on each of the EFTA countries. July 1976. *English, French* and *German*.

Regional policy in EFTA

☐ **An examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only*.

☐ **Industrial Estates.** A study of the industrial estate system (1970). 80 pages. *English only*.

☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only*.

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only*. 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Seventeenth Annual Report of EFTA.** July 1976-June 1977. *English, French* and *German*.

☐ **EFTA Annual Reports 1967 to June 1976.** *English, French* and *German*.

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German*. (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

☐ **Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.** (1970) Bilingual *English-French, German, Italian*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972) Bilingual *English-French*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment** (1971). *Loose-leaf edition in English. In stencilled form in French and German*

☐ **Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors** (1972). *Loose-leaf edition in English. In stencilled form in French and German*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances** (1972). *Loose-leaf edition in English. In stencilled form in French and German.*

Brochures published under the auspices of the Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973 Tri-lingual *English, French* and *German*

Guidelines for the Manufacture and Analysis under Contract. Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German*.

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers presented at a seminar held in Copenhagen, June 1975.

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg. June 1976. *English only*.

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EFTA BULLETIN

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Volume XIX, May 1978

European Free Trade Association

EFTA trade in 1977: slower growth of exports and bigger trade deficits—Rapid expansion of EFTA's sales to OPEC countries—Concern at employment prospects expressed in the Consultative Committee

The June 1978 issue of the EFTA Bulletin will not be published on the first of the month as is customary. Its publication will be delayed by a few days in order to permit the inclusion of a report on the EFTA Ministerial meetings, to be held on 25th and 26th May.

EFTA
BULLETIN

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Cover page. *The growth of trade between EFTA and the oil producing countries in OPEC is surveyed in an article on page 16. In addition to exporting growing quantities of machinery and equipment to OPEC, EFTA countries are also supplying consultancy services for a number of big engineering projects. The photo shows core drilling being done as part of the site preparation for the construction of a network of new roads and inter-connecting tunnels in the Mecca area in Saudi Arabia. The site investigation and preliminary planning is being carried out by a Finnish firm of consulting engineers, Geotek.*

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EFTA trade in 1977

Slower growth of exports and bigger trade deficits

Since all the EFTA countries are small and highly dependent on external trade, their foreign trade in 1977 not surprisingly reflected the particularly sharp slowdown in world trade in that year. From the end of the second world war until quite recently world trade rose at a much faster rate than world output, thus contributing to the general increase in welfare. But last year the volume of world trade increased at only about the same rate as total world output. While in 1976 the volume of international merchandise exports had still risen by 11 per cent, last year it increased by only 4 per cent and most of this increase occurred in the first half of the year. Unfortunately it is widely expected that there is little chance that world trade will recover in the course of this year.

The increase in the value of world trade in 1977 was 13 per cent, which was substantially more than the gain in volume. This is to be explained by the combination of two factors: the rise in the unit costs of exports in most countries and the depreciation of the dollar against some of the other major currencies.

The main reason for the slackening in world trade was the fall in the rate at which output in the industrial countries expanded. Their gross national product, which had grown by 5½ per cent in 1976, rose by only 3½ per cent last year. The increase in the volume of their exports fell from 14 per cent in 1976 to between 4 and 5 per cent in 1977. The rise in their imports slowed down from 10½ per cent in 1976 to about 4 or 5 per cent in 1977. The volume of their imports from OPEC increased by only 1 to 2 per cent because of the more modest growth in the demand for oil imports, while the volume of their exports to OPEC rose by some 10 per cent. In fact the OPEC surplus is estimated to have fallen from 64 billion dollars in 1976 to 60 billion last year.

The oil-importing developing countries managed to reduce their trade deficit from 27 billion dollars in the previous year to 20 billion in 1977. Their export earnings rose by about 20 per cent, about half of the rise resulting from price increases. The state trading countries also reduced their deficit, from a peak of 10 billion dollars in 1975 to 7 billion in 1976 and 2 billion in 1977. The value of their exports last year increased by 15 per cent while the value of their imports rose by only 10 per cent.

Table 1 Trade balances of the EFTA countries (in million US dollars)

	1973	1974	1975	1976	1977
Austria	–1,749	–1,862	–1,874	–3,016	–4,425
Finland	–504	–1,325	–2,115	–1,051	+58
Iceland	–67	–186	–179	–66	–93
Norway	–1,539	–2,145	–2,479	–3,190	–4,165
Portugal	–1,114	–2,190	–1,892	–2,404	–2,895
Sweden	+1,529	–504	–395	–870	–1,071
Switzerland	–2,096	–2,511	–345	+73	–288
EFTA	–5,540	–10,724	–9,279	–10,524	–12,879

Trade balances

The combined trade deficit of the USA, Canada, Japan and the industrial countries of Western Europe increased from 38 billion dollars in 1976 to 42 billion dollars in 1977. Although the increase was moderate the distribution of the deficit was very uneven and, particularly in Western Europe, the smaller countries carried the bulk of it. Because of the high level of the foreign debt that some of these countries have accumulated over recent years several of them have had to adopt stronger demand restraining policies so as to control their external deficits.

Taken together, the EFTA countries recorded a sharply increased deficit in 1977. For most of them the growth in domestic output was greater than in most of the larger industrial countries, especially in Europe, so that import demand was fairly buoyant. The total trade deficit increased from 10.5 billion dollars in 1976 to 12.9 billion last year. Finland was the only EFTA country to have a trade surplus, albeit a small one, as a result of the fairly strong stabilising measures it adopted during the year. There were particularly big increases in the Austrian and Norwegian deficits while the Swiss trade accounts went from a slight surplus in 1976 to a small deficit in 1977, although one that was still well below those recorded by Switzerland in the early 1970s. As in previous years the lion's share of the EFTA trade deficit was accounted for by trade with the European Community: 11.8 billion dollars out of the total of 12.9 billion represented the EC's trade surplus with the EFTA countries.

The world trade of the EFTA countries

Table 2 summarises the unadjusted import and export figures for each of the EFTA countries last year and shows the change from the previous year. A picture of the evolution of trade during the period can be obtained from the moving averages of seasonally adjusted figures

Table 2 EFTA trade in 1977 (and percentage change from 1976)

	EFTA				EC				USA				Eastern Europe				Rest of world				World			
	Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria	1,317.0	17.2	1,314.5	6.9	9,292.2	27.2	4,852.3	22.4	424.3	23.0	305.2	36.6	1,256.0	14.9	1,419.9	10.3	1,934.7	16.7	1,907.1	5.9	14,224.2	23.4	9,799.0	15.2
Finland	1,594.0	–7.2	1,842.4	25.6	2,625.6	2.3	2,784.9	15.4	356.1	–6.8	340.0	88.3	1,794.5	11.5	1,709.4	13.5	1,250.6	11.9	1,002.0	29.2	7,620.8	3.1	7,678.7	21.1
Iceland	124.3	42.5	74.7	–10.4	287.5	41.3	157.3	24.3	39.8	–18.4	154.6	33.6	74.2	14.2	62.1	50.0	78.7	25.3	62.6	84.7	604.5	29.4	511.3	27.5
Norway	3,196.3	18.5	1,584.9	6.3	5,838.2	18.3	4,762.1	7.3	787.5	9.7	361.3	–3.1	395.1	15.5	275.8	0.4	2,665.2	10.3	1,733.5	29.5	12,882.3	16.0	8,717.6	10.1
Portugal	411.5	–7.4	303.0	3.7	2,135.6	28.8	1,037.3	11.3	502.1	31.9	134.4	10.0	164.4	0.3	80.4	–3.6	1,686.6	7.6	450.4	18.3	4,900.2	16.3	2,005.5	10.8
Sweden	3,262.4	0.9	4,330.1	8.3	10,202.7	4.4	8,774.5	2.2	1,428.6	10.2	1,017.8	19.9	1,138.6	0.3	941.2	–8.8	4,045.1	8.7	3,942.4	–0.8	20,077.4	4.8	19,006.0	3.1
Switzerland	1,313.2	12.3	1,875.2	9.9	11,935.4	21.5	8,125.1	21.6	1,203.3	19.0	1,158.3	13.4	598.5	19.8	883.1	11.2	2,877.1	26.9	5,597.9	20.6	17,927.5	21.3	17,639.6	18.8
EFTA	11,218.7	7.1	11,324.8	10.3	42,317.2	16.7	30,493.5	12.3	4,741.7	13.4	3,471.6	20.3	5,421.3	10.4	5,371.9	7.0	14,538.0	13.5	14,695.9	13.5	78,236.9	14.0	65,357.7	12.2

for three months, which are used in Table 4 and the graph. These seasonally adjusted figures show that the total exports of the EFTA countries, which increased during most of 1976, fell in the first four months of 1977, rose somewhat from April to August and then remained more or less stable. The import trends were similar except that both the decline and the recovery were somewhat steeper.

As Table 2 shows, the total value of EFTA exports reached 65.4 billion dollars in 1977. The increase was 12.2 per cent, which is very close to the rate of growth of total world trade. Imports into the EFTA countries rose even more: by 14.0 per cent to 78.2 billion dollars. Both imports and exports rose more than in 1976 but there is little doubt that the greater part of the increase reflects higher prices rather than an acceleration in the volume of trade.

All EFTA countries increased both their imports and their exports. In fact for most of them the rate of increase of their total exports indicates that they managed to improve their position in world trade. The highest rate of growth in exports (27.5 per cent) was recorded by Iceland but the value of its trade is relatively low. More substantial rises in exports were reported by Switzerland, Finland and Austria.

Iceland also showed the greatest percentage increase in imports, but the biggest rise in the value of imports was recorded by Switzerland with a rise of 3.1 billion dollars or 21.3 per cent. Imports into Austria, Portugal and Norway also grew by more than the average. Sweden's trade showed the least change during the year, its exports rising by only 3.1 per cent and its imports by only 4.8 per cent.

EFTA-EC trade

EFTA's trade with the European Community—the destination of almost 47 per cent of EFTA's exports and the source of 54 per cent of its imports—increased more than either its total trade or the trade between the EFTA countries. Since 1st July 1977 the trade in almost all industrial goods between the seven EFTA countries and the nine members of the EC has been free of import duties on the basis of the Free Trade Agreements between each of the EFTA countries and the EC. Even though this free trade was reached gradually over a period of 4½ years, it will still be some time before the full effects of freeing the trade between the sixteen countries are seen, but the 1977 figures certainly indicate that the effects are at work.

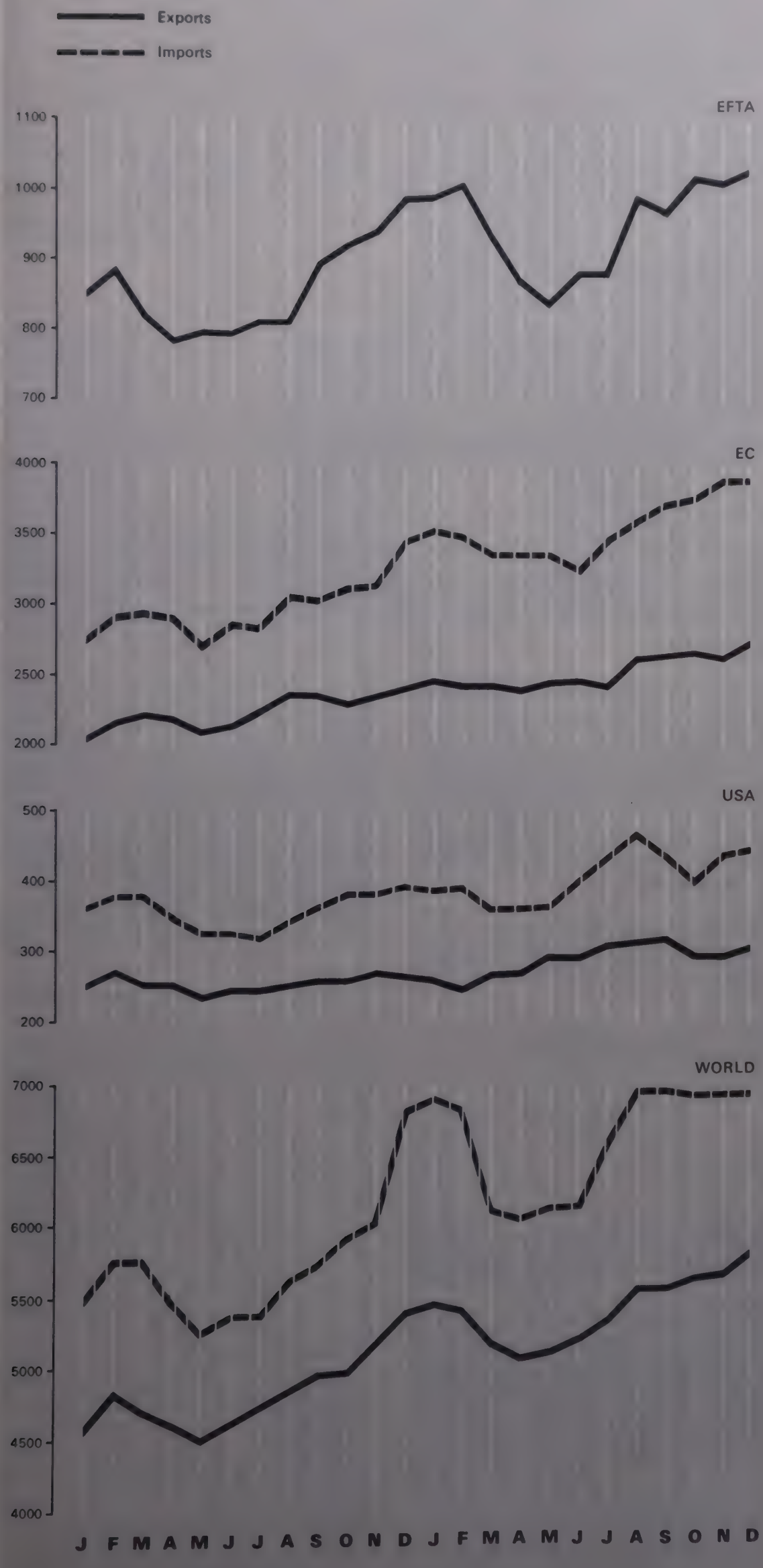
EFTA's exports in that year to the Community rose by 12.3 per cent and totalled 30.5 billion dollars while its imports from the EC rose by 16.7 per cent to 42.3 billion dollars. In the previous year there had been increases of 10.2 per cent in exports and 15.7 per cent in imports.

All the EFTA countries increased both their exports to and their imports from the EC. The increase in exports was particularly high for Iceland, Switzerland and Austria and well below the average for Sweden. Imports rose most steeply for Iceland and Austria and least for Finland and Sweden.

Seasonally adjusted figures indicate that EFTA imports from the Community fell slightly during the first half of 1977 and then gradually increased throughout the rest of the year while exports remained virtually stable until July and

EFTA trade January 1976 to December 1977

Three months' moving averages of seasonally adjusted figures, in million US dollars



thereafter tended to rise at a moderate rate.

Intra-EFTA trade

As in the previous two years intra-EFTA trade, which accounts for 17 per cent of the total exports of the seven countries, rose less in 1977 than total EFTA exports or exports to the EC. The value of intra-EFTA exports rose by 10.3 per cent to 11.3 billion dollars, after a rise of only 3.9 per cent in the previous year. Finland had the highest rate of increase in intra-EFTA exports (25.6 per cent). Iceland was the only country to report a fall in its exports to its partners in EFTA. On the other hand it showed the biggest percentage increase in intra-EFTA imports while the purchases of Finland and Portugal from the other EFTA countries fell.

From the seasonally adjusted three month moving averages it appears that intra-EFTA exports fell quite steeply from February to May, recovered between May and October and then remained stable in the final months of the year.

EFTA trade with the United States

Last year's relatively high rate of growth of gross national product in the United States is clearly reflected in the development of EFTA trade with the US. While in 1976 EFTA exports to the US had increased by only 4.2 per cent, they rose last year by 20.3 per cent to a total of 3.5 billion dollars. The rate of growth of imports accelerated from 2.0 to 13.4 per cent to bring the 1977 value to 4.7 billion dollars.

There were particularly big increases in exports from Finland, Austria, Iceland and Sweden while Norway's exports fell. Purchases from the US went up most in Portugal and Austria but fell in Iceland and Finland.

Table 3 Intra-EFTA trade in 1977 (Exports f.o.b., and percentage change from 1976)

Importer / Exporter	Austria		Finland		Iceland		Norway		Portugal		Sweden		Switzerland		EFTA	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria			89.7	–11.6	2.3	–20.7	139.6	15.2	41.3	–11.4	345.2	0.5	696.5	13.5	1,314.5	6.9
Finland	68.0	52.5			9.9	19.3	416.9	84.9	21.1	13.4	1,206.5	11.8	120.1	31.0	1,842.4	25.6
Iceland	0.2	0	10.1	48.5			9.3	–11.4	28.7	–31.7	12.1	10.0	14.4	11.6	74.7	–10.4
Norway	52.2	15.7	254.4	48.6	59.5	79.8			53.7	19.1	1,090.6	–3.3	74.5	8.3	1,584.9	6.3
Portugal	22.8	–6.9	24.7	1.2	1.6	33.3	66.8	31.8			126.0	–10.8	61.1	21.5	303.0	3.7
Sweden	281.7	11.5	1,135.9	–4.4	37.2	36.8	2,420.2	16.6	115.2	–13.3			339.9	5.3	4,330.1	8.3
Switzerland	939.4	18.8	145.8	–6.6	5.0	19.0	210.2	10.9	155.4	9.0	419.5	–0.7			1,875.2	9.9
EFTA	1,364.3	17.8	1,660.6	0.8	115.5	50.2	3,263.0	22.0	415.4	–2.9	3,199.9	2.4	1,306.5	12.6	11,324.8	10.3

Table 4 EFTA trade in October, November and December 1977
(Seasonally adjusted three-months moving averages in million U.S. dollars)

	EFTA						EC						USA						World					
	Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Austria	115.9	116.6	115.6	110.0	109.4	116.8	845.6	878.1	922.9	431.8	424.6	445.1	39.6	36.5	38.4	23.4	26.0	30.9	1,268.7	1,313.8	1,351.7	839.3	841.1	852.8
Finland	150.6	143.5	148.8	177.0	161.1	162.6	214.5	225.0	218.7	232.9	227.5	231.9	40.9	34.3	30.2	31.0	30.3	24.5	640.1	659.3	644.4	689.0	703.0	666.1
Iceland	9.3	10.4	12.1	27.0	24.4	8.8	22.0	21.6	25.3	14.1	11.5	12.5	3.6	3.8	2.6	16.5	13.9	12.3	53.3	48.4	50.0	49.1	40.2	41.4
Norway	304.8	284.7	291.5	136.6	126.7	137.9	524.2	540.7	528.8	390.5	343.6	369.7	63.0	82.2	85.7	34.4	27.0	19.5	1,121.3	1,086.0	1,081.6	749.0	647.2	680.7
Portugal	33.9	40.1	34.1	25.9	35.2	33.6	189.0	219.3	190.6	86.3	94.5	86.2	31.7	48.3	56.0	11.1	10.2	8.9	422.6	444.9	386.3	163.5	187.5	170.5
Sweden	311.8	278.7	270.3	387.2	385.8	400.9	858.0	881.5	869.8	789.5	725.3	738.0	121.0	108.4	109.3	86.9	93.0	94.7	1,672.4	1,643.3	1,670.6	1,593.8	1,626.3	1,655.0
Switzerland	121.7	114.1	118.3	160.0	168.0	170.3	1,093.5	1,095.9	1,113.1	732.4	769.4	815.3	97.1	117.7	126.1	89.7	95.0	110.2	1,628.6	1,608.8	1,651.1	1,551.7	1,601.9	1,683.6
EFTA	1,048.0	988.1	990.7	1,023.7	1,010.6	1,030.9	3,746.8	3,862.1	3,869.2	2,677.5	2,596.4	2,698.7	396.9	431.2	448.3	293.0	295.4	301.0	6,807.0	6,804.5	6,835.7	5,635.4	5,647.2	5,750.1

EFTA trade with Eastern Europe

EFTA imports from and exports to Eastern Europe increased less than total EFTA trade. Imports rose by 10.4 per cent in 1977 and exports by 7.0 per cent, compared with 12.9 and 5.2 per cent respectively in 1976. The resulting improvement in Eastern Europe's trade balance with the EFTA countries was in line with the general improvement in its trade balance. In fact its trade with EFTA showed a small surplus, with imports into EFTA totalling 5.42 billion dollars and EFTA exports amounting to 5.37 billion dollars. All EFTA countries increased their purchases from Eastern Europe, although the rate of increase for Portugal and Sweden was only 0.3 per cent. Iceland's exports to Eastern Europe rose particularly steeply while those of Portugal and Sweden fell.

EFTA trade with the rest of the world

In trade with the countries included in the group "rest of the world", EFTA imports and exports rose at the same rate, i.e. 13.5 per cent. This compares with an increase in EFTA exports of 8.2 per cent and in imports of 16.5 per cent in 1976. All EFTA countries increased their imports from this group of countries and all of them, except Sweden, also increased their exports. The imports of the EFTA countries combined reached 14.5 billion dollars and their exports 14.7 billion. ■

EFTA trade in 1977, country by country

To complement the general picture of EFTA trade in the article above, short reports on the trade of the individual EFTA countries in 1977 are presented in the following pages.

The trade figures are expressed in national currencies. There are therefore differences between the percentage changes given in these reports and those in the general article where the values have been converted into dollars and accordingly reflect fluctuations in the dollar exchange rates of the national currencies in the course of the year.

Austria

Record trade deficit follows big rise in private consumption

The distinction of having the biggest foreign trade deficit of the seven EFTA countries went to Austria last year. Its visible trade is usually in deficit, with the surplus on invisibles, and particularly its net income from tourism, more or less covering the deficit, at least until the sharp rise in oil prices in late 1973. But last year's deficit of 73,060 million schillings was the biggest ever and was 35 per cent greater than in 1976.

Austria's exports last year covered little more than two-thirds of its import bill, which rose by 14 per cent in value. Since there was only a moderate increase in prices the volume of imports rose by 9.8 per cent. Exports, on the other hand, increased by 6.4 per cent in value but by only 2.9 per cent in volume, and the rate of increase was lower in the second half of the year than in the first.

The growth in the import figures came from a variety of factors. There was an unusually large increase in private consumption which to a greater extent was matched by a rise in imports of consumer goods and particularly of consumer durables, a rise which was further stimulated in the latter part of the year by the imminence of higher VAT rates on luxury items. For the year as a whole the value of consumer goods imports was 19.5 per cent higher than in 1976.

Imports of investment goods increased nearly as much—by 17.9 per cent in value, although this was slightly smaller than the rate of increase in the first half of the year. The volume of investment has continued to grow in Austria in recent years, and last year's growth of 7½ per cent was well above the average for the first half of the 1970s.

The major source of imports into Austria is the EC, and there is no doubt that the removal of customs duties on almost all industrial goods imported from the EC—the final stage in the dismantlement of tariffs was reached on 1st July 1977—has boosted purchases from the nine countries. Last year there was an increase of over 17 per cent in Austria's imports from the EC, as a result of which the Community's share of the import market rose from 63 per cent to 65 per cent. The biggest single supplier is West Germany which accounts for almost two-thirds of imports from the EC—and very nearly five times as much as the sum of the imports from Austria's partners in EFTA.

Among the EFTA countries the principal source of imports was its western neighbour Switzerland which provided goods worth almost 14 billion schillings out of the EFTA total of 21.7 billion.

Austria's exports were to some extent affected during the year by the continuing appreciation in the exchange rate for the schilling. There was nevertheless a significant rise in its exports to the EC whose share of Austria's total exports increased slightly as a result to 50 per cent of the total. In the important Eastern European market, which took 15 per cent of Austrian exports last year, there was an increase of only 2 per cent, and there was a drop of about 1 per cent in exports to the other EFTA countries.

Western Germany was again by far the largest single market for Austrian exports, but it is perhaps worth noting that as much as 46 per cent of all exports were sent to four countries which border Austria, the other three being Italy, Switzerland and Yugoslavia in that order.

As the table shows, there were increases in the exports of all the main categories of manufactured goods. A more detailed breakdown would show that the biggest gains, in percentage terms, were in deliveries of electrical machinery, clothing and footwear. On the other hand there was a fall in the value of paper exports.

To counter the growth in the nation's trade deficit, which is almost entirely accounted for by its deficit with the EC, restrictive monetary and credit policies were introduced during the year but their effect in the course of the year was evidently limited. These policies remain in force, and the fiscal measures announced last autumn, which had the immediate consequence of stimulating consumer demand in the interval before they came into operation in January, should have their full effect this year. ■

Foreign trade, by commodity, in million Austrian schillings

	Imports		Exports	
	1976	1977	1976	1977
Food and live animals	13,587	15,601	5,700	5,223
Beverages and tobacco	1,207	1,332	597	627
Raw materials	13,632	14,788	13,048	13,756
Fuels	25,197	24,151	2,840	3,113
Oils and fats	1,230	1,362	122	141
Chemicals	19,257	20,871	11,652	12,846
Manufactures classified by material	39,781	44,864	54,416	56,566
Machinery and transport equipment	64,803	79,291	43,312	45,078
Miscellaneous manufactures	27,359	32,524	21,118	23,740
Others	27	36	308	691
Total	206,081	234,841	152,114	161,781

Austrian trade with the EC, in million schillings

	Imports		Exports	
	1976	1977	1976	1977
Belgium & Luxembourg	4,721	6,100	2,232	2,458
Denmark	1,730	1,896	3,217	2,883
France	8,646	10,612	4,334	4,817
West Germany	84,621	99,188	35,590	42,956
Ireland	175	312	225	248
Italy	16,973	20,531	13,894	14,635
Netherlands	6,206	6,690	4,056	4,633
United Kingdom	7,536	8,056	7,407	7,478
Total	130,609	153,414	70,955	80,111

Finland

Growing exports by metal working industry help to produce a small trade surplus

8 For the first time in ten years Finland's external trade resulted in a surplus, although a small one, in 1977. Imports rose in value by only 8 per cent to 30,712 million Finnish marks while exports rose by as much as 26 per cent to 30,945 million marks. The trade surplus was thus 233 million marks.

The rise in the import bill as a whole was simply a reflection of higher prices. The level of domestic demand in Finland fell by 4.6 per cent mainly because restrictive monetary policies restrained private spending and this was mirrored by a fall in volume in each of the three main categories of imports: raw materials, investment goods and consumer goods. The consequence was that the volume of imports was 7 per cent lower.

There was one exception to this general downward trend in imports, one that also affected the geographical pattern of imports. This was the increase in the arrivals of petroleum and petroleum products which in volume were 5.5 per cent more than a year earlier and which were almost 20 per cent higher in value. Slightly more than two-thirds of these imports came from the Soviet Union in the form of refined products and almost all the rest consisted of crude oil imported direct from the producing countries in OPEC; and altogether oil accounted for almost one-fifth of Finland's import bill last year. (A proportion of the crude oil refined in Finland is exported, and last year there was a 66 per cent rise in the value of oil products exported, two-thirds of the total going to Sweden.)

The change in the geographical pattern of imports was a fall in the proportion made up of other products, notably those imported from the other EFTA countries and from the EC. There was in fact a drop in the actual value of imports from EFTA which were 3.1 per cent lower than a year earlier, and even a 6.7 per cent increase in imports from the EC was insufficient to prevent its share of the Finnish import market from contracting.

Of the more general categories of imports the one in which there was the biggest fall in volume was that of investment goods, in consequence of a continuing slackness in investment: the drop in imports was about 17 per cent. Imports of raw materials and other manufacturing requirements fell by 8 per cent while imports of consumer goods fell 2 per cent.

Rising prices also form part of the explanation of the increase in value of exports but there was nevertheless a real growth of 10 per cent even though there was only a small expansion in world trade as a whole. Finnish exporters thus obtained bigger shares of some markets.

In value terms, the biggest gain in exports among the major industries was obtained by the metal working industry whose foreign sales rose by 35 per cent, bringing its share of total exports to 36 per cent in 1977. A number of sectors contributed to this advance: the shipyards, the expanding steel industry, the manufacturers of pulp and paper machinery, the producers of lifts and loading machinery and mechanical handling equipment, and others.

The wood-based industry, which accounted for 41 per cent of total exports last year, increased its foreign sales by 18 per cent in value. There was a substantial rise in exports of paper and paperboard which grew by 6 per cent in volume and 12 per cent in value, and a rise of a third in the value of sawn wood exports although this was largely a consequence of higher prices. On the other hand there was little change in the value of pulp exports and an average fall of 7 per cent in pulp prices.

As for the geographical pattern of Finland's exports, the biggest increase was a 44 per cent rise in sales to the developing countries which provided outlets particularly for paper, wood and ships. Exports from Finland to its partners in EFTA also increased by more than the average and their share of the country's exports accordingly rose to 24 per cent.

There was also a substantial rise in Finnish sales to the EC with which its trade was in surplus for the first time. At least to some extent the increase in exports to the Community is ascribable to the removal of tariffs under the Free Trade Agreement. But the EC's share of Finnish exports fell last year from 38.1 per cent to 36.3 per cent.

The export gains of last year owed something to two devaluations of the Finnish mark which were designed to make Finnish industry more competitive in foreign markets. To a large extent, however, the increased demand seems to have been met by a running down of stocks rather than by an increase in industrial production which in November was only 1.5 per cent higher than a year earlier. ■

Foreign trade by region, in million Finnish marks

	Imports		Exports	
	1976	1977	1976	1977
EFTA	6,630	6,424	5,669	7,424
EC	9,914	10,581	9,326	11,224
Rest of OECD	2,721	2,902	1,690	2,650
Comecon	6,219	7,231	5,817	6,889
Developing countries	2,878	3,363	1,662	2,391
Others	193	209	340	367
Total	28,555	30,712	24,504	30,945

Foreign trade by commodity, in million Finnish marks

	Imports		Exports	
	1976	1977	1976	1977
Food and live animals	1,864	2,323	852	1,163
Beverages and tobacco	1,436	1,568	57	64
Raw materials	1,670	1,813	4,049	5,042
Fuels	6,132	7,249	387	665
Oils and fats	38	47	25	48
Chemicals	2,521	2,715	892	1,084
Manufactures classified by material	4,896	4,868	9,710	11,790
Machinery and transport equipment	9,228	9,282	6,044	8,057
Miscellaneous manufactures	1,949	2,167	2,467	3,012
Others	83	90	19	19
Total	28,555	30,712	24,504	30,945

Iceland

Higher earnings from fish exports stimulate private spending and more imports

A big increase in the fish catch and a greater production of aluminium enabled Iceland to expand its exports last year, but the higher export earnings were in turn partly responsible for a sharp rise in imports and a bigger trade deficit.

The value of exports grew by 38.6 per cent to a total of 101,889 million Icelandic kronur, although in volume the gain was much smaller. Imports rose by 41.2 per cent to 120,969 million kronur, with prices in terms of the krona the major factor here also.

Three-quarters of the value of exports were accounted for by fish and fish products. The fish catch during the year was about 40 per cent higher than in 1976 but this was largely because of increased landings of capelin. There was only a small increase in the more valuable whitefish catch. But on average export prices for fish were 13 per cent higher in foreign exchange terms than a year earlier and the total value of fish exports was 42.4 per cent above the 1976 level.

Exports of aluminium, which account for about 15 per cent of Iceland's foreign sales, rose by 20.8 per cent, and exports of other products by 41.4 per cent.

On the import side, the biggest rate of increase (48.6 per cent) was in investment goods. About half of the total bill for the import of investment goods was spent on ships and on equipment for the completion of the aluminium smelter, for power projects and for the ferro-silicon plant now being constructed. There was however a rise of almost three-quarters in the import of investment goods for other purposes.

Consumer goods imports rose by 45.1 per cent, reflecting an 8 per cent rise in real private consumption that resulted from a substantial rise in real wages. Imports of intermediate goods grew by 31.3 per cent.

A breakdown of exports by markets shows a fall of 2.4 per cent in sales to the other EFTA countries, the main reason for which was a sharp contraction in the value of sales to Portugal, Iceland's largest export market in EFTA. Exports to the EC grew by 33.9 per cent mainly because of gains in the UK market. But the largest single market was the USA where sales increased by 45.5 per cent.

Both EFTA and the EC increased their share of Iceland's imports, providing slightly more than a third of the total. Imports from the US fell during the year and there was a reduction in the Japanese share of the market although imports from Japan rose in value. ■

Trade by area

Imports, c.i.f.	Mill. Kr. 1976	% Share in total 1976	Mill. Kr. 1977	% Share in total 1977	Percentage change 1976-1977
EFTA	15,961	18.6	24,850	20.5	55.7
EC	37,194	43.4	57,207	47.3	53.8
of which, UK	8,645	10.1	13,289	11.0	53.7
Eastern Europe	11,858	13.8	14,859	12.3	25.3
USA	9,003	10.5	7,963	6.6	–11.6
Japan	3,481	4.1	3,852	3.2	10.7
Rest of the world	8,163	9.5	12,238	10.1	49.9
Total	85,660	100.0	120,969	100.0	41.2
Exports, f.o.b.					
EFTA	15,265	20.8	14,895	14.6	–2.4
of which, Portugal	7,672	10.4	5,719	5.6	–25.5
EC	22,855	31.1	30,601	30.0	33.9
of which, UK	8,854	12.0	14,745	14.5	66.5
Eastern Europe	7,521	10.2	12,370	12.1	64.5
USA	21,183	28.8	30,813	30.2	45.5
Japan	1,120	1.5	1,733	1.7	54.7
Rest of the world	5,556	7.6	11,477	11.3	106.6
Total	73,500	100.0	101,889	100.0	38.6

Trade by type of product, in million Icelandic kronur

Imports c.i.f.	1976	1977	Percentage increase over previous year
Consumer goods	26,872	38,978	45.1
Intermediate goods	31,077	40,803	31.3
Investment goods	27,731	41,200	48.6
of which:			
Ships	2,250	10,046	346.5
Aircraft	2,167	758	–65.0
Total	85,660	120,969	41.2
Exports f.o.b.			
Fish and fish products	52,769	75,128	42.4
Aluminium	12,364	14,933	20.8
Others	8,367	11,828	41.4
Total	73,500	101,889	38.6

Norway

High costs and slack demand in major markets hamper exports

Norwegian imports last year amounted to 60,895 million kroner (excluding ships), showing an increase of 16.1 per cent which was not much below the rate of growth recorded in 1976 (19.3 per cent). But there was a bigger change in exports: they rose by only 2.6 per cent to 39,432 million kroner after having risen in the previous year by 17.8 per cent. The result was a substantial increase in Norway's trade deficit.

The increase in imports was most marked in investment goods and in consumer products. Imports of machinery and transport equipment rose by 25 per cent in value to account for just over a third of all imports other than ships. A substantial part of the rise resulted from imports of oil rigs and drilling platforms and the like, and there was a big increase in imports of cars and lorries, but imports of many kinds of machinery for industry also rose considerably. Altogether, investment goods imports were 32 per cent higher than in 1976, reflecting the high level of investment activity during the year.

In consumer goods, the increase amounted to 23 per cent. Apart from the increased spending on foreign cars, there were relatively big rises in the value of imports of clothing, footwear and furniture. As for raw materials and intermediate goods, the rise in the import value was 9 per cent, only slightly more than the average increase in import prices.

The increase in the value of exports in fact concealed a fall of over 3 per cent in volume. There were gains, the most significant being in the foreign sales of fish and fish products which accounted for the major part of the 20.6 per cent increase in food exports. Crude oil exports from the North Sea, transported by pipeline to the UK, increased by 8.5 per cent in value. But in almost all other categories of exports the 1977 figures show a decline: of 19.1 per cent in iron and steel, for example; 19.7 per cent in pulp; 2.5 per cent in paper and board. In the case of machinery and transport equipment as a whole the value of exports showed no change from 1976.

The export of gas from the North Sea, which began last September, is not covered by the statistics. According to the Norwegian Export Council the value of gas exports was probably of the order of 1,000 million kroner.

Exports generally were hampered in varying degrees by rising costs, the appreciation of the Norwegian currency and the slackness of demand in the main export markets. Sales of traditional export goods to the UK, the largest single market even when oil is excluded from the figures, increased by 4 per cent which, when allowance is made for price rises, indicates a fall in volume. Exports to Sweden were 7.4 per cent lower in value than in 1976 and exports to West Germany, the third largest market, fell by 3.2 per cent.

The drop in sales to Sweden was the main reason for the fall in exports (excluding ships) to EFTA. The EC, which accounts for 70 per cent of Norwegian exports of wood industry products as well as 60 per cent of steel exports and 65 per cent of the exports of other metals, imported lower quantities of all these goods although it increased its purchases of fish and fish products (and also of ships).

The biggest advances in exports were made in trade with the developing countries. The sale of ships accounts for rather more than half of total sales to these countries as well as for a large part of last year's increase but there was also a sharp rise in sales of other engineering products.

So far as imports other than ships are concerned, the increase in the value of deliveries from the EC was 23 per cent. Imports from EFTA grew by 15.9 per cent, with a rise of 13.2 per cent in the case of Sweden, its biggest source of imports, and a rise of 47.2 per cent in the case of Finland. ■

Foreign trade by area (including ships) in million Norwegian kroner

	Imports		Exports	
	1976	1977	1976	1977
EFTA	14,707	17,033	8,256	8,555
EC	26,799	31,030	24,066	25,211
Comecon	1,863	2,102	1,497	1,467
Developing countries	6,538	7,000	4,953	6,271
All countries	60,533	68,534	43,330	46,378

Foreign trade, by commodity, in million kroner

	Imports		Exports	
	1976	1977	1976	1977
Food and live animals	3,512	3,706	3,784	4,562
Beverages and tobacco	325	387	45	55
Raw materials	4,658	4,567	3,024	2,760
Fuels	6,781	7,597	8,379	8,725
Oils and fats	109	127	501	610
Chemicals	3,452	3,786	2,762	2,872
Manufactures classified by materials	10,132	11,428	11,875	11,648
Machinery and transport equipment (excluding ships)	17,117	21,309	6,451	6,489
Miscellaneous manufactures	6,181	7,759	1,430	1,528
Others	162	228	176	183
Total (excluding ships)	52,430	60,895	38,426	39,432
Total	60,533	68,534	43,330	46,378

Foreign trade by area (excluding ships) in million kroner

	Imports		Exports	
	1976	1977	1976	1977
EFTA	12,614	14,624	7,993	7,657
EC	24,066	29,619	22,984	23,899
All countries	52,430	60,895	38,426	39,432

Portugal

Increased imports of food and machinery contribute to higher trade deficit

Portugal's foreign trade resulted in a substantially increased deficit last year. Imports totalled 189.7 billion escudos, a rise of 46.7 per cent in value but of 13.1 per cent in volume. Exports grew by 41.8 per cent in value to 77.7 billion escudos, but the increase in volume was only 6.8 per cent.

Imports of all the main categories of goods showed substantial rises in value, as the table shows, and in every case but one the volume of imports was also higher than in 1976, the exception being textile materials. The rate of growth in the volume of imports of machinery and transport equipment, although only slightly above the average, was perhaps the most significant change and reflected the high level of new fixed investment in Portugal during the year. Imports of base metals and metal products also rose considerably in real terms and provided one of the foundations for the 9 per cent expansion in industrial production. The rise in the volume of food imports was the highest since 1974.

Exports likewise showed big value increases but, for most of the major categories of goods, only modest gains in volume. The largest group of all—textiles, clothing and footwear—increased by only 1 per cent in real terms, and the volume of exports of wood and cork fell by 2.6 per cent. By contrast there was a rise of 42.8 per cent in the volume of exports of machinery and transport equipment.

An analysis of the statistics for the first eleven months of the year reveals a rise of 54.8 per cent in the value of imports into Portugal from the EC, which brought its share of the market to 43.9 per cent.

Imports from West Germany and the United Kingdom rose by more than the average. So far as EFTA is concerned imports into Portugal rose by only 10.5 per cent so that its share of the market shrank from 11 per cent to 8.3 per cent. Imports from Spain increased by 46.9 per cent and from Japan by 72.3 per cent.

Exports by commodity, in billion escudos

	1977	Percentage increase from 1976	
		in value	in volume
Agricultural products	12.8	35.4	2.8
Mineral products	4.5	41.3	5.3
Chemicals	3.7	41.1	7.6
Wood and cork	13.9	31.3	–2.6
Textiles, clothing and footwear	23.0	43.1	1.0
Base metals	3.8	41.5	7.0
Machinery and transport equipment	11.5	65.2	42.8
Others	2.9	28.2	—
Total	77.7	41.8	6.8

Imports by commodity, in billion escudos

	1977	Percentage increase from 1976	
		in value	in volume
Agricultural products	34.4	35.5	17.1
Mineral products	30.9	41.3	4.4
Chemicals	25.1	43.4	13.4
Hides, skins and wood	6.9	114.9	60.6
Textile materials	16.0	39.5	–4.9
Base metals	19.0	70.8	38.7
Machinery and apparatus	32.5	51.4	13.2
Transport equipment	16.4	68.9	22.2
Others	8.5	39.1	—
Total	189.7	46.7	13.1

The most notable change on the export side was an 88.5 per cent growth in sales to Portugal's former colonies, with a particularly big increase in the case of shipments to Angola whose purchases almost tripled. The EC's share of Portuguese exports fell slightly to 51.1 per cent despite a rise of 41.2 per cent in Portuguese sales to the nine countries. Exports to EFTA increased by 37.5 per cent, with a 19.1 per cent rise in exports to Sweden, the largest outlet in EFTA, and a 56.6 per cent rise in the case of Switzerland. EFTA now accounts for 15.5 per cent of Portugal's exports. ■

Sweden

Surplus in trade with EFTA but bigger deficit in trade with EC

That there was a 7 per cent increase in the value of exports from Sweden last year is clear from the trade statistics. The change on the import side is less evident because the basis on which the figures are compiled has been changed in a way which affects imports more than exports. The new basis, used since the beginning of last year, is determined by the date on which goods actually cross the border, not the date on which the customs formalities are completed. It would appear however that the rise in imports was of the order of 8 per cent and that as a result there was an increase in the trade deficit, which amounted in 1977 to 4,621 million kronor. In volume both exports and imports seem to have declined.

Almost all the main categories of imports showed increases in value. Leaving aside as an exceptional item a particularly large rise (of 88 per cent) in the value of ships imported—the two main sources for these were Western Germany and Japan—the biggest percentage increase was in imports of crude oil which were 14 per cent higher in value and 5 per cent higher in volume than in 1976. The food import bill grew by as much as 13 per cent but this was almost entirely accounted for by the higher prices of imported fruit, vegetables and coffee. There was also a 13 per cent increase in the value of imports of clothing.

In the case of engineering products (with the exception of ships) imports increased by 5 per cent in value. This, of course, was the aggregate of a number of rises and falls for particular groups of products: rises in the value of imports of office machines as well as of a variety of kinds of electrical machinery and equipment, and falls in the value of imported cars as well as of metal-working machines and iron and steel. Among the "miscellaneous manufactures" the most notable increases were in clothing, shoes and furniture.

On the export side many of the increases reflected higher prices rather than a rise in volume. Thus exports of paper and board as a whole rose by 12 per cent in value but the tonnage exported was lower both for newsprint and for fibreboard. Foreign sales of passenger cars showed no change in volume but the number of cars exported fell by 8 per cent. For the first time ever Swedish exports of lorries exceeded those of cars, but the number of lorries exported was slightly lower than a year earlier even if the value increased by 15 per cent. Pulp exports declined both in value and in volume: and despite an increase in sales of ships to Norway total exports of ships fell by 6 per cent in value.

In its trade with the other EFTA countries Sweden achieved a bigger surplus than in 1976, but it incurred bigger deficits in its trade with the European Community—its largest trading partner—with the OPEC group and with the state-trading countries as a whole.

The major improvement in Sweden's trade with the other EFTA countries resulted from a 21 per cent increase in its sales to Norway, which last year was its largest single foreign market. Rather more than a quarter of its exports to Norway consisted of ships, cars and lorries. By contrast its sales to its other main market in EFTA, Finland, dropped by 1 per cent while its imports from Finland—principally engineering goods, clothing and petroleum products—rose by 11 per cent. The result was that for the first time in the 1970s Sweden had a deficit in its trade with Finland.

Sweden's exports to the European Community which last year took 46 per cent of Swedish exports, rose by 6 per cent while its imports from the Community—the source of half its imports—increased by 8 per cent. The most important of its trading partners within the EC is West Germany which was more successful in increasing its sales to Sweden last year than Sweden was in exporting to it. A substantial part of the trade between them is in engineering products but a high proportion of Sweden's exports consists of raw materials such as paper and board, iron and steel, wood and ores.

The rise in the volume of oil imports that has already been mentioned was the main reason for the increase in Sweden's trade deficit with OPEC, which provides four-fifths of its crude oil and some of its imports of refined petroleum products. Sweden's exports to these countries—mostly products of its engineering industry—fell by 1 per cent in value.

For the second year running there was also a decline—of 4 per cent—in exports to the state-trading countries, particularly because of lower sales to Poland. Imports from this group of countries rose by 5 per cent in value. ■

Foreign trade, by commodity, in million Swedish kronor

	Imports		Exports	
	1976	1977	1976	1977
Food and live animals	6,057.5	6,822.0	1,784.4	1,717.8
Beverages and tobacco	642.9	691.8	76.0	73.6
Raw materials	3,559.4	3,933.3	12,450.4	11,623.8
Fuels	14,706.7	15,745.0	1,350.9	1,663.0
Oils and fats	265.3	343.2	200.0	256.8
Chemicals	6,559.2	7,505.4	3,768.3	4,110.7
Manufactures classified by material	15,616.1	15,287.5	19,989.0	22,722.3
Machinery and transport equipment	25,877.5	28,087.3	35,217.2	37,276.6
Miscellaneous manufactures	9,813.6	11,421.4	5,132.7	5,734.5
Others	127.6	310.8	226.1	348.2
Total	83,225.9	90,147.7	80,195.0	85,527.2

Foreign trade, by area, in million Swedish kronor

	Imports		Exports	
	1976	1977	1976	1977
EFTA	14,049	14,648	17,370	19,485
EC	42,456	45,787	37,339	39,457
Developing countries	10,979	12,150	10,664	11,359
State-trading countries	5,164	5,399	4,803	4,617
USA	5,597	6,415	3,682	4,580
All countries	83,226	90,148	80,195	85,527

Switzerland

Exports up by 10.8 per cent in volume despite appreciation of Swiss franc

Foreign trade by area, in million Swiss francs

	Imports		Exports	
	1976	1977	1976	1977
EC	24,525	28,645	16,679	19,419
EFTA	2,917	3,151	4,257	4,482
USA	2,520	2,888	2,521	2,768
Developing countries	3,605	4,414	7,878	9,618
State-trading countries	1,339	1,536	2,147	2,277
All countries	36,871	43,026	37,045	42,158

Exports of some main groups of commodities, in million Swiss francs

	1976	1977	Percentage change
Metal-working industry	19,365	21,578	+11.4
Chemicals	7,818	8,266	+ 5.7
Textiles and clothing	2,849	3,116	+ 9.4
Food and tobacco	1,368	1,590	+16.3
All products	37,045	42,158	+13.8%

Imports of some main groups of commodities, in million Swiss francs

	1976	1977	Percentage change
Agricultural products	5,077	5,716	+12.6
Petroleum and petroleum products	3,642	3,722	+ 2.2
Textiles and clothing	3,875	4,368	+12.7
Paper and paper products	1,378	1,437	+ 4.3
Chemicals	4,219	4,647	+10.2
Machinery	5,248	6,277	+19.6
Vehicles	3,173	3,897	+22.8
Industrial precious metals	2,013	2,748	+36.5
All products	36,871	43,026	+16.7

Switzerland's imports and exports reached record totals last year, but because the rate of increase was higher in imports the visible trade balance moved from a surplus of 174 million Swiss francs in 1976 to a deficit of 868 million francs in 1977.

More worthy of note was the fact that the rise in the value of exports was 13.8 per cent (to a total of 42,158 million francs) even though the exchange rate of the Swiss franc continued to appreciate throughout the year and this presented a potential threat to the competitive position of Swiss manufacturers. On the other hand the virtual absence of inflation in the country and the relative stability of labour costs provided a large element of compensation. There was in fact only a relatively small difference between the rise in value of exports and the rise in volume, which amounted to 10.8 per cent.

Rising prices were of somewhat greater significance for Swiss imports which increased by 16.7 per cent in value to 43,026 million francs—slightly above the previous peak which was reached in 1974—and by 10.1 per cent in volume.

There were increases in each of the three main groups of exports. The biggest was in consumer goods (up by 17.1 per cent in value) with the most notable gains in foreign sales of jewellery and works of precious metals, clocks and watches, pharmaceutical products, food, and clothing. Almost equally large was the rise in raw materials and semi-manufactures: increased exports particularly of precious metals, metal products, chemicals, textiles and electrical equipment helped to raise the total value by 15.8 per cent. Exports of almost all kinds of investment goods were also higher in 1977, the group as a whole showing a gain of 9.1 per cent.

As for export markets, the increase in sales to the European Community, which was the destination of 45 per cent of all Swiss exports, was very close to the average: 16.4 per cent. There was a much smaller rate of growth (5.3 per cent) in exports to the other EFTA countries, which take a further 10 per cent of total Swiss exports. A fall in the value of deliveries to Sweden (for the second year running) and to Finland tended to restrict the rate of growth in sales within EFTA but was offset particularly by an increase of 13.8 per cent in Swiss exports to Austria, its largest EFTA market.

The OPEC markets continued to provide growing outlets for Swiss exporters whose sales to this group of countries rose by 32.3 per cent in 1976 and a further 26.4 per cent last year. Since imports from OPEC rose much more slowly in 1977 there was an increase in the Swiss surplus in this part of its trade.

The highest rate of growth in imports into Switzerland last year was in investment goods, with a rise of 21.2 per cent in value and 16.0 per cent in volume. Imports of raw materials and semi-manufactures grew by 17.7 per cent in value (10.5 per cent in volume) mainly because of increased arrivals of precious metals, other metals, chemicals and raw materials for agriculture, although in the latter case the rise was entirely due to higher prices. Imports of jewellery and other works of precious metals as well as of cars accounted largely for the 17.4 per cent increase in the value of imports of consumer goods, although there were also rises in imports of clothing, food and shoes. Energy imports rose by 3.9 per cent in value and only 1.3 per cent in volume.

The principal source of imports remained the EC which increased its deliveries to Switzerland by 16.8 per cent. Imports from EFTA rose by 8.1 per cent, with Austria providing the biggest increase as well as being the source of a little over half of all Swiss imports from the EFTA area.

For the second year running there was a substantial increase (32.8 per cent) in the value of Swiss imports from Japan but they still account for only 3 per cent of total imports. Since there was hardly any change in the value of Swiss exports to Japan visible trade with Japan moved from a small surplus to a deficit.

In Switzerland's visible trade with all OECD countries it reported a deficit of 7,036 million francs. The main reason for this was the increase in the deficit with the EC which rose to 9,226 million francs. In trade with non-OECD countries there was a surplus of 6,169 million francs. ■

EFTA trade with OPEC

Rapid expansion in EFTA's sales

This article on EFTA trade with the oil producing countries which are members of the Organisation of Petroleum Exporting Countries (OPEC) is based on statistics for the years 1970 to 1976 and is taken from a study just published in book form by the EFTA Secretariat under the title "EFTA Trade 1976".

The book itself contains a detailed statistical analysis of EFTA's trade during that year (not 1977). As usual it contains in addition one chapter on a particular aspect of trade, in this case trade with OPEC being chosen in order to provide an assessment of the changes that have occurred since the sharp rise in oil prices that began in late 1973.

In recent years trade with OPEC* has increased in importance. On the one hand, the rise in the price of oil greatly expanded the value of EFTA imports from OPEC. But, at the same time, the strongly growing incomes of OPEC meant that the markets of these countries increased sharply and permitted an expansion of EFTA exports to them. Table 1 indicates how these developments are reflected in the changes of shares in the trade of EFTA with OPEC. The paragraphs that follow give a brief description of the evolution of trade between the two groups.

In the period from 1970 to 1976 the trade flows between EFTA and OPEC increased at about twice the rate of growth of EFTA's total trade. Exports to OPEC of the EFTA countries combined rose at an average annual rate of 40.7 per cent to reach in 1976 almost eight times the 1970 level, while EFTA's total exports recorded an annual increase of only 19.9 per cent. EFTA imports from OPEC rose at a somewhat lower rate than EFTA exports to this group of countries, increasing to six times their initial level over the six year period, i.e. at a 34.8 per cent annual rate. This compares with an 18.3 per cent annual growth rate for total EFTA imports. As a result of these developments the share of OPEC in total EFTA exports rose from 2.0 per cent in 1970 to 5.4 per cent in 1976 and that of EFTA imports from OPEC from 2.5 per cent to 5.6 per cent of total EFTA imports. Over that period EFTA exports also somewhat increased their share in the OPEC market, rising from 3.9 per cent of total OPEC imports in 1970 to 4.1 per cent in 1973 and 5.0 per cent in 1976.

The main growth in EFTA imports from OPEC occurred in 1974, when their dollar value rose from 1.17 to 3.12 billion, following the increases in oil prices, notably the increases of 97 per cent in October 1973 and 128 per cent in January 1974 in the posted prices of Arabian light crude oil.

EFTA exports to OPEC reacted fairly rapidly to the increase in OPEC's capacity to import and increased by 64.6 per cent in 1974 and 68.9 per cent in 1975. From 1973 to 1976 EFTA exports to OPEC increased by almost 300 per cent from 0.81 to 3.16 billion dollars. In the period from 1970 to 1973 the annual rate of growth of EFTA exports to OPEC was less than half as high as in the period from 1973 to 1976, i.e. 25.8 per cent as against 57.4 per cent.

Some nine-tenths of the total increase in EFTA exports to OPEC from 1973 to 1976 came from Switzerland (783.9 million dollars), Sweden (808.7 million dollars) and Austria (464.4 million dollars). The highest percentage increase in exports was recorded by Iceland, but this represents relatively little in absolute value (48 million dollars). Finland's exports to OPEC rose by 135.9 million dollars, Norway's by 134.5 million and Portugal's by 21.1 million.

As a percentage of their total exports

Table 1
Share of trade with OPEC in EFTA countries' total trade (per cent)

	1970		1973		1976	
	Imports	Exports	Imports	Exports	Imports	Exports
Austria	0.9	1.8	2.5	2.3	5.1	6.8
Finland	2.2	1.4	2.2	1.4	5.0	3.0
Iceland	0.1	0.4	. .	0.1	. .	1.3
Norway	3.3	1.0	2.9	1.0	5.2	2.3
Portugal	6.4	0.9	4.0	0.6	11.6	1.8
Sweden	2.6	1.6	3.0	1.8	7.0	5.6
Switzerland	2.2	3.5	2.5	3.8	3.2	7.7
EFTA	2.5	2.0	2.7	2.2	5.6	5.4

• The following countries are included in OPEC: Algeria, Bahrain, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela.

Left: gas turbine installation for the electrification of the Buraydah area in Saudi Arabia. (Brown Boveri, Switzerland)
Above: A Swedish lorry on an Iraqi building site. (Scania, Sweden)

Top: a voyage of 7,000 sea miles took this Finnish-made iron ore unloading and conveyor system to the harbour of the Umm Said steel mill in Qatar. Fifty metres high and weighing over 600 tonnes, the unloader was towed on board a 5,000 tonne pontoon, setting out from the Kone works at Hanko in early September 1977 and reaching its destination in December. This was the first time this method of transport was used for so big a distance,
Below: interior view of the diesel power station, at Mecca, showing the six diesel engines. (Sulzer, Switzerland)

the exports of the EFTA countries combined did not show any marked increase from 1970 to 1973, nor did the share of the individual EFTA countries change much. But from 1973 to 1976 all EFTA countries increased their exports to OPEC at a considerably higher rate than their total exports, with Switzerland, Austria and Sweden showing the most marked changes. The share of OPEC in Switzerland's total exports rose from 3.8 per cent in 1973 to 7.7 per cent in 1976, that for Austria from 2.3 per cent to 6.8 per cent and for Sweden from 1.8 to 5.6 per cent.

The biggest increase of imports from OPEC—a rise of 1,019.5 million dollars or over 400 per cent from 1973 to 1976 was shown by Sweden. In the same period OPEC imports into Austria, Finland, Norway and Portugal increased also at about the same rate: in actual values by 415.2 million, 272.2 million, 397.3 million and 375.3 million dollars respectively. But Iceland's purchases from OPEC rose only from 0.1 to 0.2 million and Switzerland's by 182.2 million dollars or by about 60 per cent.

Thus in spite of the favourable record in their exports to OPEC the combined deficit of the EFTA countries in their trade with OPEC almost doubled from 1973 to 1976—rising from 360 million dollars to 669 million—and nearly trebled since 1970. The value of total EFTA imports from OPEC increased from 1973 to 1976 by 2,661.8 million dollars, i.e. by 308.5 million dollars more than EFTA exports to OPEC. The part represented by the OPEC deficit in the total deficit of the EFTA countries combined increased from 1970 to 1976 from 5.2 to 6.4 per cent, but remained stable from 1973 to 1976.

The trade balances of individual EFTA countries with OPEC present, however, rather a different picture. Thus the deficit of the EFTA countries combined with OPEC would have been twice as high in 1976 if Switzerland's OPEC surplus were excluded. Switzerland recorded substan-

Table 2
EFTA countries' imports from OPEC (millions of US dollars)

	Total			Mineral fuels, lubricants and related materials (SITC 3)		
	1970	1973	1976	1970	1973	1976
Austria	32.6	172.0	587.2	17.4	147.1	542.1
Finland	57.3	97.0	369.2	52.0	91.3	358.2
Iceland	0.1	0.1	0.2	—	—	—
Norway	120.9	182.4	579.7	111.2	171.9	548.0
Portugal	98.8	115.5	490.8	91.9	110.3	458.9
Sweden	182.9	313.3	1,332.8	161.5	285.4	1,293.3
Switzerland	145.4	291.6	473.8	94.0	209.4	395.6
EFTA	638.0	1,171.9	3,833.7	528.0	1,015.4	3,596.1

Table 3
EFTA countries' trade balances with OPEC (millions of US dollars)

	1970	1973	1976
Austria	+ 19.9	– 55.7	– 6.5
Finland	– 25.6	– 42.4	–178.7
Iceland	+ 0.5	+ 0.2	+ 4.9
Norway	– 97.0	–134.1	–396.9
Portugal	– 90.5	–104.8	–459.0
Sweden	– 72.1	– 90.9	–301.7
Switzerland	+ 34.2	+ 67.7	+669.4
EFTA	–230.6	–360.0	–668.5

tial trade surpluses in its trade with OPEC in all the three years under consideration. Iceland, too, reported surpluses, but quite small in dollar value. Austria's deficit in 1976 was quite modest, but Portugal, Norway, Sweden and Finland have shown important direct trade deficits with OPEC.

The commodity composition of EFTA trade with OPEC shows that slightly more than half of their exports to OPEC in 1976 consisted of machinery and transport equipment. Manufactured goods represented some three-quarters of their exports, while primary products accounted for less than one-tenth (6.8 per cent) and food products for only 3.6 per cent. The structure of EFTA exports to OPEC has undergone some changes in recent years. Most marked was the rapidly rising share of machinery and transport equipment in total exports. While this group of products accounted for only slightly over one-third of total exports to OPEC in 1970 and 1973, it represented almost 40 per cent in 1975 and 52.1 per cent in 1976. Other manufactured goods (SITC 6 and 8), which before the increase in the oil price represented 36 per cent of total EFTA exports to OPEC, accounted for 29 per cent in 1976, while the share of crude materials (SITC 2) fell from 7.7 to 3.9 per cent. Chemicals, too, have become relatively less important in EFTA exports to OPEC.

Manufactured goods (SITC 6, 7 and 8) accounted for 92.3 per cent of Sweden's exports to OPEC, for four-fifths of Austria's exports and over three-quarters of Swiss exports. More specifically, machinery and transport equipment represented 79.4 per cent of Sweden's exports to OPEC and over 40 per cent of Austrian and Swiss exports.

Oil accounted for 93.8 per cent of the total imports entering the EFTA countries from OPEC in 1976. But it must be recognised that the degree of dependence of the EFTA countries on oil originating in OPEC is not fully shown by these figures, particularly since they also import substantial quantities of petroleum products refined in other countries from crude oil of OPEC origin. The statistics would look quite different and show a much higher EFTA trade deficit with OPEC if these factors could be taken into account. Thus, for example, an important share of the oil and petroleum products imported by Switzerland, well over half in 1976, came from countries that are not oil producers. The argument applies also to oil imports into Sweden and Norway. Only two EFTA countries, Austria and Portugal, obtained more than half their oil imports directly from OPEC in 1976. Over two-thirds of Finland's and almost 90 per cent of Iceland's imports of oil came from the USSR. For EFTA combined 3,133.4 million dollars worth of imports of petroleum products (SITC 33) in 1976 are recorded as coming from countries other than OPEC and Eastern Europe and are probably to an important extent of OPEC origin. This compares with direct EFTA oil imports from OPEC of 3,593.6 million dollars and an EFTA trade deficit with OPEC of 668.5 million dollars. ■

Table 4
EFTA countries' imports of petroleum products (SITC 33) in 1976 (millions of US dollars)

	Total	OPEC	Eastern Europe	Other
Austria	986.8	542.1	217.2	227.5
Finland	1,305.9	358.2	888.9	58.8
Iceland	57.3	—	45.4	11.9
Norway	1,152.8	548.0	29.5	575.3
Portugal	619.8	457.6	95.0	67.2
Sweden	3,092.0	1,292.1	479.0	1,320.9
Switzerland	1,516.0	395.6	248.6	871.8
EFTA	8,730.6	3,593.6	2,003.6	3,133.4

Top: A permanent transport chain, said to be the longest in the world, is now established between Norway and the Middle East to ensure reliable deliveries to this area. Below: Austrian vehicles for the national police force in Saudi Arabia.

EFTA industrial news

• The Swiss firm *Concast SA* (Zürich) is to supply a continuous casting plant worth over 3.5 million Swiss francs as the first stage in the expansion of the steel works which was built in 1971 in Barquisimeto, a new industrial zone to the west of Caracas (Venezuela). The 4-strand caster is designed for casting 30 and 40-ton electric steel charges into billets 100 and 115 mm. square. A similar 4-strand unit, which will cast 47-ton charges, has been ordered by Shiu Wing Steel Ltd. of Hong Kong. A second Swiss firm Brown, Boveri & Co. (Baden) is to supply all the electrical equipment for the two plants, which are expected to go into operation in 1979.

• The *ASEA* group of Sweden has recently secured a contract worth 13 million dollars for the supply of the complete electrical equipment for a direct reduction steel plant to be constructed in Kursk, in the Soviet Union, by the West German firm Lurgi Chemie und Huttentechnik. The plant forms part of a new steelmaking complex.

• The Swiss engineering works *Rüti AG* (Zürich), which is affiliated to the Georg Fischer group, has just put into operation its first textile machinery factory in India, at Hosur—a site recently declared an industrial development zone by the Central Indian Government—in the State of Tamil Nadu. The new factory will produce shuttle looms under licence for the Indian market. Its maximum production capacity will be 1,800 looms a year. An expansion of both the market and the range of products is planned. Sixty per cent of the plant was supplied by Indian firms and the Swiss firm is responsible for training the specialised work force.

• The Swedish state-owned *Arendal* shipyard (Göteborg) is to construct what is claimed to be the world's largest floating dock for the Soviet Union. The order, worth between 250 and 300 million kronor, was awarded to the Swedish shipyard in the face of competition from other West European and Japanese shipyards. The dock can accommodate ships of up to 600,000 tons and will be 330 metres long, 88 metres wide and 30 metres high. Capable of accommodating a work force of 150, it will be equipped with special workshops, canteens, medical facilities and a large power plant. Delivery is scheduled for mid-1979.

• Despite stiff international competition, the Austrian firm *Integral Engineering* (Vienna) has secured an order for two waste gas purifying plants for Sweden. The order is worth 6 million schillings.

• Fitting snow chains is no longer a problem, thanks to a new system devised by a Swiss inventor. It is not necessary to kneel down or use a jack in order to fit the device on the wheel; simple inflation with compressed air ensures that it is fixed securely and automatically.

• The Finnish company *Wärtsilä* has recently delivered to Venezuela the first two tankers in a series of five. These vessels, which are 171 metres long and have a deadweight of 32,400 tons, are equipped with 24 separate tanks designed for the transport of corrosive products and the pumping and handling systems conform to the strictest security regulations. The tankers are air-conditioned and the engine rooms are fully automatic. Wärtsilä is at present the main supplier of the Venezuelan merchant navy.

• The Swedish firm *Sektions Byggarna Oresjö AB* has recently supplied a West German dialysis clinic with a prefabricated therapy centre for self-administered dialysis treatment. The centre was manufactured in Sweden in 20 sections and on arrival in Germany was assembled by three men in the space of a few days. It contains six dialysis rooms, each with room for two patients to receive self-administered treatment simultaneously. Patients can contact medical staff by means of an intercom telephone. The one-storey building has a surface area of 406 square metres and new sections can be added on as required.

• A leading starch manufacturer, General Mills Chemicals, is to construct a production unit under Finnish licence in the State of Iowa. It will produce starch and proteins from wheat by means of a process developed by the Finnish firm *Raisio*. The Raisio system for separating the gluten and starch from the wheat is based on the mechanical cracking of the grain in a centrifuge. Only 3 m^3 of water are needed per tonne of flour instead of 10 m^3 and no chemical additives are necessary. Moreover, there is no element of pollution as the system functions in a closed circuit: half of the water evaporates, leaving a concentrated solution which can be used as animal feed. The main products obtained from this process are pure starch (A quality) containing 0.3 per cent protein, and B quality starch containing 7 per cent protein. The gluten, which contains 80 per cent protein, is used in the food industry and, like starch, in gluing and layering. Raisio markets its products in the United States, Sweden, Greece and Great Britain. General Mills Chemicals will continue to buy starch from Finland after its new factory goes into operation.

• *ELIN-Union*, Vienna, has recently signed a contract worth 100 million schillings with the General Organisation for Greater Cairo Water Supply for electromechanical equipment. The initial phase of the project will be the erection of a water purifying plant which will provide 300,000 m^3 of potable water daily from the River Nile. As sub-contractor, another Austrian firm—Voith AG (St. Pölten)—will supply the different pumps necessary for the pumping stations handling the untreated and purified water.

• Led by the Austrian company *Hydrotechnik* (Salzburg), a consortium of firms has signed a contract worth 300 million schillings with the Ministry of Irrigation of Iraq for the delivery and erection of water towers and water-conditioning plants for the Dujaila Agro-Industrial Complex. The Austrian share of the project amounts to some one million schillings.

• The Swedish firm *Iggesunds Bruk* has just put on the market a computer-controlled system of format optimization, destined to reduce by between 1 and 5 per cent the wastage incurred in the cutting of materials such as plywood, board, and metal sheets. The technique has been in use for some time in the glass industry and has transformed glass-cutting into a fully automatic operation.

• A new surveillance camera has been developed by the Austrian firm *EUMIG* for use in banks. The Eumig 300 XL Bank camera is capable of giving excellent results even under poor lighting conditions, thanks to the special design of the "Varia Viennon" objective (1.2/5-22 mm, shutter opening 210°). Accurate filming of hold-ups is ensured by the high-speed lens. The camera is supplied with a telescopic stand for wall or ceiling mounting or with a weatherproof outer casing for outdoor installation.

◄ *Devecon Oy*, a Finnish consulting agency, is one of the many international enterprises selected to participate in the construction in Algeria of two 760-bed hospitals, a new university for 10,000 students and a campus which will include social services. The contract was signed with the Algerian Ministry of Higher Education and Scientific Research. The total volume of construction represents some 1,800,000 m^3. Planning will take about two years and the actual construction another five. Devecon Oy came into being in 1975 with the merger of five engineering and architectural concerns seeking to expand their activities abroad; the contract they have just signed is worth 65 million markkaa.

Consultative Committee meeting, 10th and 11th April

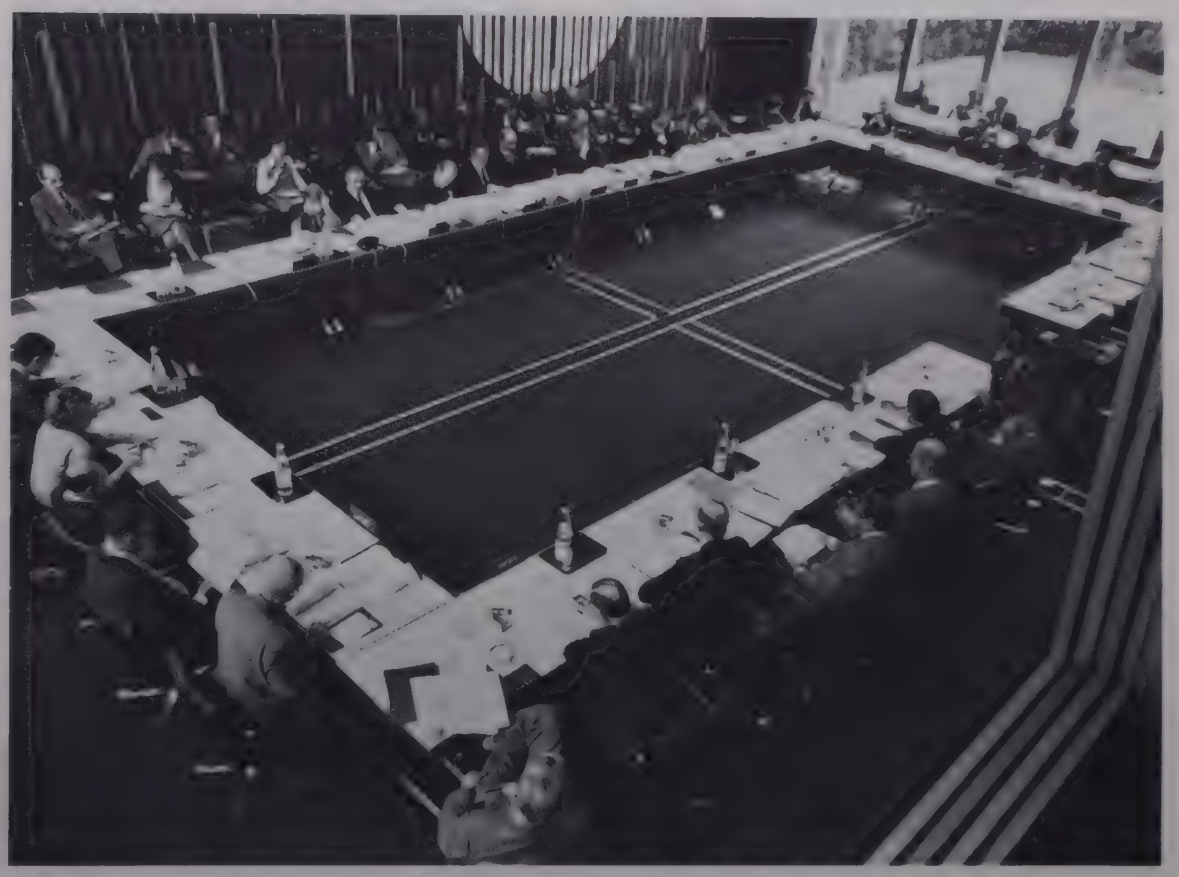
Concern at employment prospects

This issue of the EFTA Bulletin is unusually full of articles about the trade of the EFTA countries. One reason for this is that statistics are now available for all the seven countries for the whole of last year. But the trade figures are also relevant as part of the background to the discussions in the Consultative Committee, which met last month, and in the EFTA Councils which are now preparing for a meeting at Ministerial level on 25th and 26th May.

Their interest of course is in the economic prospects rather than in past performance. The Consultative Committee showed itself to be preoccupied with the slow rate of growth in trade and in economic activity generally, and more specifically with the danger that unemployment in Western Europe would remain at high levels if economic policies were not changed to provide a stimulus to expansion.

The debate was notable for the common emphasis on the need to preserve the free trade that has been achieved in Western Europe and to avoid the use of old or new methods of protecting industries despite the real difficulties that all industrialised countries are experiencing. Particular attention was given to the risk that measures adopted by governments, both in EFTA and elsewhere, to assist the more vulnerable industries might distort trade flows. This was a subject which the Economic and Social Sub-Committee—a body which, unlike the Consultative Committee itself, is tripartite in the sense that it includes only representatives of governments, employers and unions—had already begun to look at; and the discussions in the Committee revealed a consensus that all forms of government aid given in the EFTA countries should be examined to see what effects they have on trade and whether they are compatible with the spirit of the Stockholm Convention.

Other important meetings during the month included a new round of negotiations between the EFTA countries and Spain, which is the subject of a short report on the page following. The negotiations, the object of which is to establish a multilateral trade agreement between the eight countries, reached one of those moments, inherent in any international deliberations, in which delegations report back to governments on the progress achieved and the questions still to be settled. A new meeting was scheduled for late in April. ■



The major theme of last month's meeting of the Consultative Committee was the general economic situation, and the discussion revealed a general concern about the prospects for employment in Western Europe. Most of the EFTA countries, though not Finland or Portugal, have so far been fairly successful at keeping the rate of unemployment at relatively low levels, but in the majority of cases at the cost of incurring large trade deficits. But they are all small countries and heavily dependent on trade, and there was a general recognition at the meeting that greater cooperation is needed in Western Europe to bring about a return to a more rapid growth and to full employment.

The case for more cooperation on economic policy matters was presented most forcefully by speakers from trade union organisations who emphasised that there would be a high level of unemployment continuing into the 1980s if governments did not adopt policies more capable of stimulating economic activity. In the present situation the free trade that had been achieved in Western Europe, and which should be preserved, was in danger of being destroyed by protectionism, a point on which there was general agreement in the Committee.

In the view of the trade union representatives, the cooperative approach towards a faster economic growth required the convening of a tripartite conference which would bring together governments, employers and unions from the EFTA countries and from the EC to discuss possible common measures of achieving an economic revival. This was a suggestion that they had first raised at the Committee's last meeting, and on this occasion they asked for the support of the whole Committee. There was, however, no consensus about the idea, some doubts being expressed about the usefulness of holding such a meeting. It will now be up to the EFTA Councils to decide what action to take on the proposal.

The Chairman of the Economic and Social Sub-Committee presented a report on its recent meeting when the matters discussed had included the question of government subsidies and other aids to industry. The question had been raised partly because it was becoming increasingly common for governments to assist

Consultative Committee (cont.)

industries, particularly those experiencing acute international competition, and partly because the aids could constitute a new form of protectionism. From its preliminary consideration of the matter the Sub-Committee concluded that it was necessary to collect information on all forms of government support to industry in EFTA, and that there should then be an investigation of whether they distorted trade flows and were therefore against the spirit of the Stockholm Convention. There was a consensus in favour of this even though the practices are in no way limited to the EFTA countries. In view of the complexity of the subject the study will take a long time to complete.

There was general support for another proposal of the Sub-Committee, that it should make a study of the role of export and import prices in the process of incomes formation in each EFTA country.

The Committee was given a report on the latest round in the negotiations for a multilateral free trade agreement between Spain and the EFTA countries. Speakers from industrial associations in some EFTA countries drew attention to the need to ensure a balanced agreement.

A report was also presented on a meeting held in Brussels on March 14th between members of the Consultative Committee and members of the External Relations Section of the Economic and Social Committee of the European Community. The discussions showed an increasing recognition of the interdependence of the sixteen countries and an awareness that the preservation of the free trade between them was a prerequisite for economic expansion.

Finally the Committee had a brief discussion on the possibility of encouraging joint ventures by EFTA companies in third countries as a means of increasing trade, and agreed to set up a working party to consider what advice it could give the EFTA Councils to realise this aim.

A full report on the whole of the Committee's deliberations will be given by the Chairman, the Austrian Foreign Minister, to the EFTA Councils when they meet at Ministerial level in Geneva in May. ■

Progress in negotiations with Spain

The fourth round of negotiations for a multilateral trade agreement between the EFTA countries and Spain showed that progress had been made in many respects at the level of experts, that there was a provisional understanding on a great number of aspects of an agreement but that there were still some differences between the two sides.

The delegations, which met at the level of ambassadors on 6th and 7th April to take stock of the work done by the working groups earlier in the week, agreed to meet again on 24th April.

Speaking at a press conference on 7th April, Mr. E. Nettel, the Austrian Ambassador to EFTA who is the principal spokesman for the EFTA countries in the negotiations, said that there was now a clear picture of the main contents of an agreement and that the negotiators would report back to their governments both on the progress made and on the points still open.

In answer to questions Mr. Nettel said that there were still problems to be solved in connection with quantitative restrictions on imports into Spain, and with the rules of competition to be included in the agreement, and that there was not yet complete agreement on the products to be covered by tariff reductions in the agreement.

In addition to the negotiations on a multilateral trade agreement, which relates only to industrial products, there were bilateral discussions at the same time on trade in agricultural goods.

Pharmaceutical Inspection Convention
Seminar for inspectors

The first in a new series of seminars mainly for young inspectors from the Pharmaceutical Inspection Convention countries, and from countries interested in the Convention, was held in Sunningdale (United Kingdom) from 28th to 31st March.

The main purpose of the seminar was to familiarize the inspectors with the standards of good manufacturing practice as applied in tablet manufacture under the terms of the Convention. Inspectors were present from twelve countries: Austria, Denmark, the Federal Republic of Germany, Finland, Hungary, Iceland, Ireland, Norway, Romania, Sweden, Switzerland and the United Kingdom. With the exception of the Federal Republic of Germany and Romania all are members of the Pharmaceutical Inspection Convention. The papers presented at the seminar and a summary of the discussion which followed will be published in book form later this year.

EFTA PUBLICATIONS AVAILABLE

☐ **EFTA—what it is, what it does.** This brief folder leaflet gives general information about the history and purposes of EFTA. Available in bulk or single orders. *English, French, German* and *Portuguese.*

☐ **The European Free Trade Association.** A 14-page booklet outlining the history and working of EFTA. Also contains a section on the Free Trade Agreements with the EC. *English, French, German, Norwegian, Swedish* and *Portuguese.*

☐ **EFTA in a changing world.** EFTA Bulletin No 4 of 1975. Twelve views on EFTA and its future on the fifteenth anniversary of its founding. *English, French* and *German.*

☐ **Structure, rules and operation of the European Free Trade Association.** A full account of EFTA's history, achievements and current activities. 146 pages. *English, French, German, Finnish, Swedish, Norwegian* and *Portuguese.*

☐ **The EFTA Industrial Development Fund for Portugal.** A short leaflet containing general information about the Fund, the statutes, and some statistical data on Portugal. *English, German* and *Portuguese.*

Trade studies

☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

☐ **The trade effects of EFTA and the EEC 1959-1967.** Also of interest mainly to economists. Contains 168 pages with 77 tables. *English, French* and *German.*

☐ **EFTA Facts and Figures.** A 14-page booklet giving statistical information on each of the EFTA countries. July 1976. *English, French* and *German.*

Regional policy in EFTA

☐ **An examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

☐ **Industrial Estates.** A study of the industrial estate system (1970). 80 pages. *English only.*

☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only.*

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Seventeenth Annual Report of EFTA.** July 1976-June 1977. *English, French* and *German.*

☐ **EFTA Annual Reports 1967 to June 1976.** *English, French* and *German.*

☐ **First Annual Report of the EFTA Industrial Development Fund for Portugal.** April 1978. *English* and *Portuguese.*

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German.* (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products. (1970) Bilingual *English-French, German, Italian*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972) Bilingual *English-French*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment** (1971). *Loose-leaf edition in English. In stencilled form in French and German*

☐ **Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors** (1972). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances** (1972). *Loose-leaf edition in English. In stencilled form in French and German.*

Brochures published under the auspices of the Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German.*

Guidelines for the Manufacture and Analysis under Contract. Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German.*

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers presented at a seminar held in Copenhagen, June 1975

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg. June 1976.

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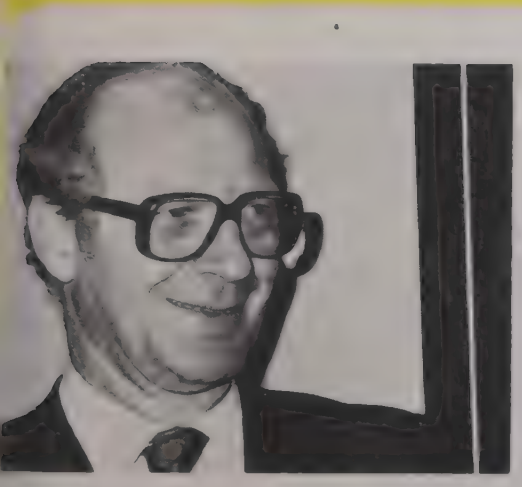

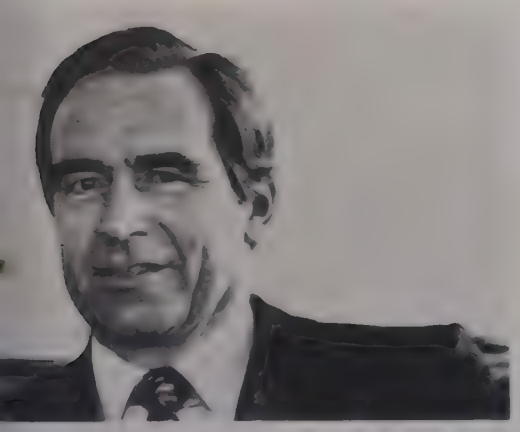

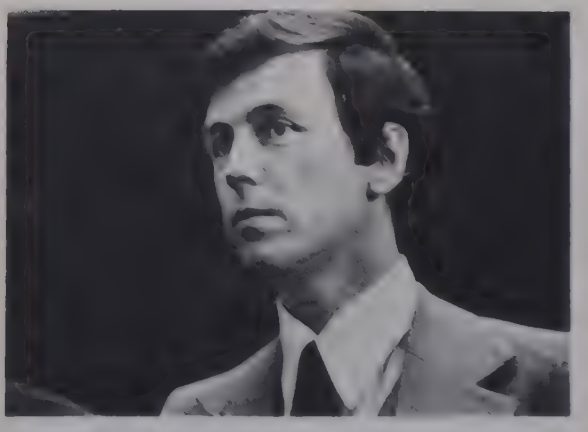
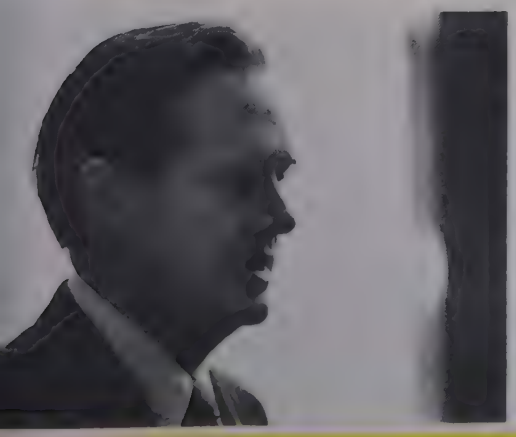

EFTA Councils call for concerted action to stimulate world economic activity – Austria's relations with the European Community – Swiss thoughts on the "second generation" of integration problems – Finland's Free Trade Agreement with the EC

EFTA
BULLETIN

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Cover photos: *The heads of delegation at the EFTA Ministerial meeting. From left to right, top: Mr. Willibald P. Pahr, Minister of Foreign Affairs, Austria; Mr. Staffan Burenstam Linder, Minister of Commerce, Sweden; Mr. Fritz Honegger, Head of the Federal Department of Public Economy, Switzerland; centre: Mr. Charles Müller, Secretary-General of EFTA: Mr. Basílio Horta, Minister of Trade and Tourism, Portugal; Mr. Hallvard Bakke, Minister of Commerce, Norway; bottom: Mr. Thórhallur Asgeirsson, Secretary-General of the Ministry of Commerce, Iceland; Mr. Hans Brunhart, Head of Government, Liechtenstein; Mr. Paavo Väyrynen, Minister for Foreign Affairs, Finland. (Photo Daniel Vittet)*

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EFTA Councils call for concerted action to stimulate world economic activity

The main theme of last month's ministerial meeting of the EFTA Councils was the economic situation. It was directly the subject of the longest debate, and formed the background to a number of other parts of the discussions between the Ministers. Generally speaking, the prospects –for economic growth, for employment, for monetary stability–had not changed since their last meeting. If there was one aspect that had been assuming greater importance, it was the evidence of the lack of flexibility in industrial structures. International trade was growing very slowly; the competition for export markets was accordingly increasing; and the ability of industries in some of the newly developing countries to compete successfully with traditional suppliers was becoming more manifest. And one of the consequences of this was an increase in the pressures to obtain protection for vulnerable industries.*

That the remedy must be found through international cooperation had already been generally accepted. For small countries, and all the EFTA countries are small countries, the possibilities of independently preserving a high level of employment during a prolonged period of weak international demand are limited and costly. At the meeting of the Councils the Ministers therefore focussed their attention on two general requirements. In the first place they recognised the need for all countries that are in a position to do so, and particularly the larger and stronger economies, to take concerted action to ensure an early upswing in international economic activity. As their contribution the EFTA countries would take all the steps possible which would permit a balanced development of their economies.

The second general requirement was to resist protectionist pressures in all forms. The Ministers pointed to the danger that in the absence of cooperation to bring about an expansion of economic activity these pressures would grow. In the past four years the OECD trade pledge–the declaration by the industrialised countries that they would not unilaterally adopt measures to restrict trade–has been an important psychological antidote to protectionism, and it comes up for renewal at the meeting of the OECD Council of Ministers in the middle of June. The EFTA Ministers in their communiqué stressed the importance of renewing it in an appropriately strengthened form.

The Ministers also discussed the progress made so far in the multilateral trade negotiations in the framework of GATT which are intended to carry the liberalisation of the world trading system a stage further. All the major trading countries put forward earlier this year the concessions

which they were already prepared to make on tariffs and a number of other matters, and the complex process of negotiating an acceptable settlement is now taking place. The EFTA Ministers consider it essential that substantial results in these negotiations should be achieved by the target date of mid-July. A successful conclusion, they stressed, would be of the greatest importance for the maintenance of a liberal trading system.

The Councils also gave particular attention to the relations between the EFTA countries and the European Community. The EC is the source of rather more than half of all imports into EFTA and the destination of nearly half of all EFTA exports. For the EC, trade with the EFTA countries is not so large a proportion of its external trade but EFTA nevertheless supplies 8.5 per cent of EC imports and takes 11.5 per cent of its exports. The trade between the two groups is based on the bilateral free trade agreements between the EFTA countries and the Community, and it is now almost a year since the last tariffs on almost all trade in industrial goods between the two groups were removed in accordance with these agreements.

That the full implementation of these agreements should be secured was one of the points made by the Ministers in their communiqué. They also agreed, as part of the intensification of cooperation to which the EFTA governments committed themselves at the Vienna summit meeting last year, to consider a proposal that specific problems that arise in connection with the free trade agreements as well as the possibilities of other kinds of economic cooperation with the EC in matters outside the agreement should be studied regularly in the EFTA framework. The aim, so far as these other kinds of cooperation are concerned–these "second generation" matters–would not be that EFTA as such, or all the EFTA countries, would enter into all these possible spheres. As is clear from the articles on pages 6 to 13 of this issue of the Bulletin, the extent to which individual countries are extending their links with the EC beyond the requirements of the FTAs is not uniform. But consultations within EFTA would make it possible to identify the particular matters in which more than one country is interested in enlarging its collaboration with the Community.

Among the other items on the ministerial agenda were reports on the two meetings of the Consultative Committee held in recent months. The trade union members of the Committee had proposed the holding of a tripartite conference on economic policies, full employment, prices and financial stability in Western Europe with the participation

of representatives of governments, employers and trade unions from EFTA and EC countries. The proposal has been presented to the Community also and has been discussed in the Committee of Ministers of the Council of Europe. The decision on whether to hold the conference is of course not entirely up to EFTA but the EFTA Ministers generally welcomed an invitation from the Norwegian government to act as host for the meeting.

In the course of the discussions on the activities of EFTA particular attention was paid to the role of the EFTA Industrial Development Fund for Portugal. The Ministers expressed their satisfaction at the results achieved by the Fund in its first year of operations. They also instructed the Councils at official level to study ways in which EFTA might provide further assistance to Portugal in the fields of trade promotion, tourism and investment. ■

** The full text of the communiqué agreed at the meeting is given on page 21.*

Austria's relations with the European Community

by Paul Steiger, Director, Head of Division, Austrian Ministry for Trade and Industry

The intensity of a state's relations with its neigbours is governed by a number of factors, which may be evaluated differently according to the observer's personal viewpoint and political leanings.

The author feels it important to make this introductory comment so that he can more safely make the very simplifying statement that, as soon as the European Communities started to come into being, Austria's geographical situation and economic development caused successive governments to look deeply into the question as to when and how special relationships could be established with the new political configuration in Europe.

As is well known, the last world war and its repercussions on Europe's political landscape, and particularly Austria's self-chosen status as a permanently neutral state, ruled out from the outset one obvious solution, i.e. full membership of the European Communities.

The Austrian policy of integration aimed right from the start at the greatest possible degree of economic integration, while maintaining unquestionable political independence.

During the years spent seeking an adequate solution, it soon became clear that these two goals could not be fully attained at the same time.

For the sake of historical accuracy it is stressed that on the Austrian side there was never the slightest question of endangering the country's new-found political credibility as an independent neutral state to gain economic benefits, while the Community has always shown the fullest understanding for Austria's position over the many years of contacts and subsequent negotiations.

If the complicated sum was to work out, therefore, any cuts that needed to be made would have to be at the expense of the hoped-for economic optimum.

In the industrial and commercial sector the creation of a free trade area with the European Communities, already largely a reality since 1 July 1977, may prove a useful achievement, particularly as practice in recent years has shown that a customs union often does not bring all the advantages that it should provide in theory, while a free trade area works far better than people used to be prepared to credit.

In practice, the customs officers along the internal frontiers of the customs union still had more to do than many would have liked. This in itself regrettable development, certainly not intended by the architects of the customs union, now makes at least one of Austria's apparently substantial shortcomings on integration in respect of the European Communities seem relatively tolerable.

Of course, "relatively" applies only if we ignore the fact that the European Communities are still aiming at an economic union or even a federated United Europe. However, long-term strategies of this kind will be dealt with again later in this article, and in a different context.

While–on a short-term view–it has just been stated that a fairly satisfactory solution has been found for the industrial and commercial sector from the trade policy angle, it must not be forgotten that a number of Austria's major exports, primarily paper and steel products, are "sensitive products" still in a transitional phase preceding free trade; not until 1 January 1980 (for paper products as late as 1 January 1984) will they achieve complete customs freedom and no longer come under the "strict surveillance of imports" which has lately proved a quite substantial obstacle to trade.

Moreover, the fact that a number of Austria's traditional exports are still subject to effective trade restrictions in the Community undoubtedly contributes to the trade deficit, which in recent times has been steadily increasing.

Consequently, Austria is constantly endeavouring to limit these obstacles to trade to the minimum that can be achieved by negotiation. Despite what many are saying, however, it must be stressed in this connection that the deterioration in the Austrian balance of trade and payments is in no way attributable to the establishment of free trade in the industrial and commercial sector between Austria and the European Communities.

The causes are multifaceted, and the solution will be found in well-directed new approaches in national economic policy rather than in a withdrawal from free trade–provided that free trade is conducted fairly by *all* parties.

In view of the special importance of steel production for the Austrian economy, precautions were taken in Austria's agreement with the European Coal and Steel Community to ensure that the price system created for the countries in the Community is comprehensively applied, within the territories of all parties to the agreement, to supplies from each other; at the same time the agreement guaranteed appropriate supervision and penalties for infringements. It was only these provisions of the agreement which made it justifiable to extend free trade to the steel sector with no danger of distortion of competition.

The importance of harmonizing market conditions in this sector of industry, which has very special characteristics, was demonstrated during the latest steel crisis, which led to stringent special arrangements by the ECSC and consequently to an exchange of notes between Austria and the ECSC in March 1978. Within the European free trade area these special arrangements and the exchange of notes should lead to a stabilization of steel prices and help to

facilitate the structural adjustments required in this sector. Admittedly, the extent to which the path marked out can lead to success will depend largely on the discipline of the enterprises concerned, which when faced with the choice between ruinous competition and orderly crisis management will have to prove their economic maturity.

For the first time the free trade organizations are being put to the test: can they overcome crises, or is the free trade system that has proved so fruitful for the economy in recent years viable only in the mild climate of an economic upswing?

A special problem is presented by Austria's relations with the European Communities in the agricultural sector. Although the countries of the Communities are Austria's most important trading partners in the agricultural and food sector, it was not possible in the 1972 agreements to make any satisfactory safeguards for this very important branch of Austria's economy. The reason for this unsatisfactory treaty situation was certainly not that the free trade area system had left open no technical opportunities for a solution; at any rate, the Austrian delegation made several perfectly practicable suggestions in the course of the negotiations.

The reason for the Community's definite "No" on this subject should be sought instead in its repeatedly expressed desire to keep the common agricultural market strictly for member states only, for clearly some very appreciable losses of sovereignty are involved.

As a result Austria was able to preserve certain export prospects with the Community only for certain sections–admittedly important ones–of beef, cheese and wine exports, partly through the Kennedy Round and partly through supplementary agreements to the 1972 agreements and in the years that followed; however, as a result of sales crises or the agro-monetary measures taken by the European Communities that were particularly unfavourable to Austria, these prospects have now become rather dubious.

When all is said and done, for the EEC's agricultural market Austria remains a "third country". One aspect of this situation is that, since the conclusion of the free trade agreement, Austria's agricultural exports to the Community countries have stagnated completely whereas the Community countries have vigorously increased their exports to Austria and thus significantly improved their share of Austria's agricultural imports.

At least half of the rapid increase in Austria's trade deficit in agricultural products between 1972 and 1977 can be attributed to trade with the Community, which is constantly expanding its agricultural production and at the same time increasingly protecting its market against imports from third countries. Moreover, the Community's agricultural producers are being stimulated by generous export subsidies and are consequently able to compete very successfully with the Austrian food industry not only within Austria but also in the potential alternative markets. Obviously, this vicious circle will one day have to be broken. Anyone familiar with the political and overall economic situation in Austria will realize that the Federal Government must give special priority to bringing this about.

Naturally, the conclusion of the agreements in 1972 did not mean the end of the efforts to reach an overall settlement of Austria's economic relations with the European Communities. Many important issues were not dealt with at all in the negotiations, while it was only to be expected that the intensification of trade would bring new major issues to the fore, for which a solution would have to be found in due course.

All these matters do not necessarily have to be settled bilaterally or within existing multilateral structures. Indeed, it would be most appropriate, in tackling the various problems that arise, to get away from accepted ideas and seek new patterns of working, which might sometimes prove extremely well-suited to the purpose and above all easier to put into practice. The major tasks still remaining before the economic integration of Europe is achieved will in any case require more refined tools and improved methods, particularly if a solution is to be found to those problems which at present may still seem to be irrelevant but which ultimately cannot be ignored unless the whole structure is to remain a patchwork.

A good example showing that there is still plenty of scope for imaginativeness is "European Cooperation on Scientific and Technical Research" (COST), in which the members of the European Communities and EFTA and other European States are cooperating successfully. Without overestimating the importance of its work in relation to the magnitude of the scientific and technical research problems facing Europe as a whole, it is safe to say that in this field methods and tools have been found and applied which make it clear that fresh possibilities are constantly becoming available for the solution of economic problems.

If I have just mentioned methods and tools, that by no means implies that we can ignore the fact that any real progress is ultimately dependent on the political determination of all concerned. As this determination often does not develop as a result of purely material compulsions, it is no doubt helpful to give the international thinking process a little nudge from time to time.

It was surely considerations such as these that led the

member states of EFTA, in May 1977 at the Vienna summit conference, to draw the special attention of the European Communities to the danger that the countries in Europe's two free trade areas might drift farther apart. The EFTA governments expressed their wish to develop the existing cooperation with the European Communities so as to secure free trade and improve the general economic conditions. Besides various topical problems such as the state of the economy and currency questions, they also indicated areas relating to the future development of the European Communities, such as the drafting of uniform legal standards in areas of common economic interest, transport policy, research and environmental protection. Naturally they did not fail to emphasize that cooperation would need to be strengthened with varying intensity and in a pragmatic and practical manner. This made it clear that while the EFTA states do not yet regard the integration process as closed, the problems arising are not equally important for all EFTA states and sometimes do not apply to all EFTA states by any means. The future of the relations between EFTA states and the Community is therefore already taking on a reasonably clear outline. While the Community is trying to develop further into a more intensively integrated structure, the EFTA countries will accord their positions towards the European Communities only in concrete cases of common interest, and otherwise each will seek ways and means, according to their needs and resources, of solving special problems in relation to the Communities.

The transport sector, for example, shows clearly that, merely on account of different geographical situations, individual EFTA countries have special problems with the Communities.

The central situation of Austria, whose road network is extensively used for traffic between the EEC Member States of Italy and the Federal Republic of Germany, and also for traffic with the Associated EEC States of Turkey and Greece, is a heavy burden on the Austrian economy. The constant growth of heavy traffic calls for a highly efficient road network and also causes exceptional wear and tear on the highways. In a country that consists largely of high mountains, this is exceptionally expensive.

Austria has already spent over Sch. 34,000 million on the construction of the major international highways and will have to spend a further Sch. 70,000 million to complete the system. These routes are used mainly by international traffic, without any corresponding contribution from the owners of the foreign vehicles, because as a rule these vehicles do not even refuel on the relatively short Austrian section so as to save the fuel taxes.

On a European scale, this problem could be solved fairly satisfactorily by an agreed system for the reimbursement of road costs, but this is still a very long way off. To deal with the emergency situation that has already arisen, Austria is this year introducing a road traffic levy on goods transport within the country by both Austrian and foreign vehicles. In its formulation the law already contains some features of an international road cost reimbursement and is non-discriminatory. Moreover, it has been made clear both in the Government bill and in Parliament that when the time comes Austria will not refuse a European solution.

This problem, which is mentioned here not so much because of its magnitude as because of its topicality, clearly shows that Europe is still a long way from solving its economic problems in a comprehensive way. There can be no talk yet of economic conditions even approximately equal to those of the major competitors in the world economy.

However, all steps towards economic integration in Europe since the Second World War have been guided by the realistic consideration that the European countries will only achieve equality of opportunity if they succeed in removing as far as possible all the drawbacks to competition arising out of the multiplicity of states on this Continent. There is certainly no need to be a committed European ideologist to demand that this goal should not be lost sight of from now on. An awareness of economic policy realities, allied to the threat of being forced on to the sidelines in the future development of the world economy, should be motivation enough.

In 1973 the Austrian diplomat Simon Hausberger, in the concluding chapter of his book "European Integration", had this to say about the development of a comprehensive European reality:

"The achievements so far are... encouraging against the background of European history, but still offer no guarantee of complete success. This guarantee would undoubtedly be provided if we could be sure that the youth of Europe will take part in the building-up of Europe with as much enthusiasm as the post-war generation did, rising above their past sufferings and overcoming all barriers".

These words are still equally valid today. ■

Thoughts on the "second generation" of integration problems

by Franz Blankart, Minister Plenipotentiary, Head of the Swiss Office for European Integration

The Swiss Confederation and the European Communities have concluded about 80 agreements and exchanges of letters. Neither of the two sides has such an extensive contractual relationship with any third party and it is evident that this quantity expresses a geopolitical fact: the small Swiss community, further subdivided into four language groups, is almost totally surrounded by the European Community which more and more takes on a continental dimension. That these circumstances have not created an uncomfortable situation for Switzerland is due to the fact that the European Community is composed of nations whose legal and cultural standards correspond to our own.

The «second generation»

Switzerland and the Community first approached each other on a commercial basis. Only a small circle of specialists in administration and business have meanwhile recognized that in the last six years a second approach has been taking place, an occurrence which legally, institutionally and politically poses some entirely new problems. The negotiations in these fields, the so-called "second generation", are what concerns us here. The targets of current negotiations can be subdivided into three groups, namely:

- *Agreements for liberalization* in economic fields not covered by the free trade agreements;
- *Co-operation agreements* in fields where burden-sharing can rationally be introduced;
- *Mechanisms for the exchange of information* in order to avoid divergent developments in economics or legislation.

Agreements for liberalization

The most imminent of these projects is the agreement on the *free establishment* of insurance companies. In application of the "evolutionary clause" it should mutually extend liberalization to the establishment of agencies and branch offices of those Swiss and EEC companies which trade in direct non-life insurance. Switzerland has suggested such an agreement because the harmonization of the legislation within the Community on surveillance and the right of establishment has produced equal treatment of insurance companies between member states, and this has necessarily resulted in discrimination against companies from third countries.

The equality achieved within the Community results from legal harmonization and from the mutual recognition of the securities which the head office offers as guarantees. As a result of this recognition it is no longer necessary to insist that agencies or branch offices have their own solvency margin; in the interest of insurance customers it does, however, require a close co-operation of the national insurance authorities which have to examine and certify the solvency of the head office at home and also with respect to the business of their agencies or branch offices in other EEC countries. Since such co-operation does not formally exist with third countries their companies' solvency cannot be recognized. This results in the discriminatory requirement that their agencies or branch offices have to be endowed with free assets to be used partly as a deposit and partly in local investment.

By means of the envisaged agreement the surveillance authorities of Switzerland and in the Community will require each authority to recognize the other's certificates concerning solvency. Switzerland therefore does not assimilate the Community's system in order to receive an economic advantage within the Community but both parties extend to each other the freedom of establishment which already exists on their own territory. The mutual rights and concessions will therefore be symmetrical. The agreement, a pioneering and unprecedented legal step, should also contribute to the fostering of a unified insurance legislation within Europe.

A further sector of liberalization concerns the *service* industries and more specifically the international border-crossing coach traffic. A West European Convention envisages the creation of a free trade area for coach traffic. The traditional protectionist tendencies prevailing in this business will, however, allow for only minimal liberalization at this stage.

In addition we have concluded exploratory talks with the EEC Commission concerning the inclusion of Switzerland in the commercial information system Euronet. The immediate problem is technical and falls into the competence of the P & T services but it is ultimately the *free trade in information* between the West European data banks which is at stake. The key-word "free access to knowledge" gives a clear idea of the importance of this undertaking. Within a foreseeable future it should be possible to call upon information concerning specific research projects from specialized computers

throughout Western Europe, an enormous alleviation for the scientist who would then be freed from the arduous task of combing through all primary and secondary literature.

Agreements for co-operation

Non-commercial co-operation between Switzerland and the Community was first undertaken in the field of applied sciences, currently known under the name *COST* (Cooperation européenne dans le domaine de la recherche scientifique et technique). COST provides a framework for pragmatic and flexible co-operation in research on the principle of concerted action, initiated by the EEC and including Austria, Finland, Greece, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, Yugoslavia and of course the EEC itself and its member states. Concerted actions, based on a co-ordinated division of labour, are open to each party according to its research capacity. The participants elaborate a common programme according to which each has to undertake and to finance specific research projects, the results of which are put at the disposal of the other participants while the rights of industrial property are preserved. This co-operation which ties together interests in the fields of science, integration and economics is limited to problems of applied research. It is either being realized or envisaged in the fields of information, telecommunications, new transport technology, oceanography, metallurgy, environment, meteorology, agricultural science and the technology of foodstuffs. Switzerland is participating in ten of the sixteen actions so far in progress. Since the envisaged research projects are often of immediate interest for industrial production the system of co-ordinated co-operation between public and private research institutes responds to the needs of a rational division of labor.

The most important project for co-operation presently envisaged between Switzerland and the Community concerns our future participation in the research on *thermonuclear fusion.* Being based on practically unlimited raw materials (hydrogen isotopes) fusion is considered to be the most promising source of energy and there seems to be good hope that fusion as opposed to fission will be considerably less problematic, if not insignificant, for the environment. According to present forecasts the scheme should be carried out around the end of this century. For Switzerland it provides not only the possibility of participating in all related technological progress but it includes the chance of becoming to a large extent independent of energy imports. In considering the political and balance of payment aspects of energy imports, if one takes into account the existing uneasiness towards the construction of conventional nuclear power plants, then it becomes immediately clear that no effort should be spared in order to propel nuclear fusion to an operational stage. However, from an institutional point of view Switzerland and the Community are neither integrating their research capacity nor taking common decisions on the project involved but Switzerland only contributes its research capacity to the EEC project, a project which could easily exist without Switzerland and whose modalities and budget are ultimately in the hands of the Community. As an equivalent return Switzerland receives the pay-back in the form of know-how, patents and subsidies.

A further field of mutual co-operation concerns the *limitation of the capacity of Rhine shipping.* This agreement aims at a voluntary immobilization of freight space at times of optimal water-level on the Rhine. These periods have notoriously led to over-capacity and the consequent break-down of freight rates. The idea is to open a fund to be financed by compulsory contributions by the Rhine shipping companies, a fund which then would take over the costs resulting from the laying up of ships. The agreement has been initialled but is in need of a few alterations since the European Court stated in an opinion that some institutional regulations are incompatible with the Treaty of Rome.

Mechanisms for the exchange of information

Switzerland and the EC Commission have established a system for the exchange of information in the field of the *protection of the environment.* The objective of the procedure is to ensure close co-operation from the very outset for the elaboration of environment protective norms, thereby avoiding as far as possible the creation of divergent regulations which would distort trade and competition. The avoidance of duplication of research work is of course a welcome side effect.

In the field of *economic and monetary policy* Switzerland is shortly going to follow the example of Norway and Sweden in introducing a regular exchange of information.

In addition mechanisms for information exchange have started to become relevant in the field of *internal transport policies,* mechanisms such as already exist between Austria and the EC Commission. The objective of these consultations is not to negotiate in the field of transport (this is the task of the European Conference of Ministers of Transport, ECMT) but to come to a synchronization of internal projects. A similar procedure would be very desirable in the field of the harmonization of law and legislation in general.

Political considerations relating to the "second generation"

In order to appreciate the importance of the envisaged agreements one should not forget that the negotiating party is in fact a Community of nations which for the first time in

European history have united themselves not on the principle of hegemony but on that of co-operation. In doing so these states have partly sacrificed their sovereignty in order to achieve, on a supra-national level, objectives which they would not have been able to realize alone. This independence from third nations increases as more members join the Community. The internal integration, which very often leads to discrimination against and therefore isolation of third nations goes together with a transfer of the treaty-making power from the member states to the Community as such.

It might at first appear to be impudent for a third state to expect parity in matters of international law from a Community which, as we have seen, represents states which have partly sacrificed their own sovereignty. However, the third state cannot be expected to put up with the consequences of integration within the Community in handing over competences to organs of the Community which he can neither elect nor influence. The question therefore arises: under which conditions can the Community possibly be interested in entering into legal relations with a third nation on the basis of equality? This problem was entirely recognised by those nations of Western Europe who did not join the Community and who created the conditions for equality by establishing free trade among themselves. This understanding ultimately led to the abolishment of customs duties as finalized on 1st July 1977. Meanwhile, however, the Community has intensified its integration process and has therefore created discrimination against third countries in other sectors than trade. Consequently the original EFTA motivation makes a new appearance in the question as to whether these "second generation" discriminations should be overcome and, if so, by which methods. Should such problems of discrimination or isolation again be first attacked and resolved between the EFTA states, thereby preparing a stronger position for their bilateral and co-ordinated negotiations with the Community, or should the EFTA states negotiate individually with the Community and afterwards create a solution suitable for all EFTA states or at least for those concerned?

This was the underlying crucial question at the EFTA Summit. The answer arrived at in Vienna is inevitably very flexible as a result of the diversity of the EFTA states and the variety of the problems involved. Point 4 of the Common Declaration states: "that it would be desirable to develop the existing co-operation within EFTA and–with varying degrees of intensity–between EFTA countries and the European Community by means of an increased exchange of information and closer consultations on economic questions and, where appropriate, coordinated efforts..." "...fields of interest for wider economic co-operation include transport policy, research, and the protection of the environment." Furthermore, the EFTA Governments expressed their will to make use of the Association "as a forum for joint consideration of wider European... problems in order to make a constructive contribution to economic co-operation in international fora." (Point 3). This formulation avoids, with both intention and justification, any allusion to the formation of a bloc but without excluding an eventual internal EFTA solution of any discrimination problems. The main emphasis, however, is laid on co-ordination, particularly on the co-ordination of interventions by individual EFTA states vis-à-vis the Community. This idea can in no way be considered provocative since it is based on the understanding that the many, often urgent, problems in front of us can only find integrated solutions, and that consequently models for arrangements envisaged with the Community should simultaneously regulate the relationship between the participating third states. In other words: the choice is no longer, as in 1960, between the construction of an internal EFTA anti-discriminatory attitude on the one hand and bilateral individual arrangements with the Community on the other hand. Considering the shortage of time one has to strive from the beginning for multilateral or at least open arrangements extensive enough to show the Community the factual and legal advantages inherent in dealing with third states on the basis of parity. In that respect the Convention on the liberalization of border-crossing coach traffic has been a real breakthrough. Compared with this, the problem is more complex in matters of co-operation: whereas parity could hardly be accorded in the field of thermonuclear fusion due to lack of research capacity in third states, within COST the question of equality is still open. We are, however, of the opinion that a *generalization* of the legal model used in the treaties concerning fusion could create tensions in which neither the Community nor third states would be interested. Different models can, however, be envisaged only if each individual EFTA state recognises that the same negotiating process is typical of all its treaties with the Community and is subsequently prepared to co-operate with the other EFTA states as well as with the Community in order to synchronise their proceedings. ■

Finland's Free Trade Agreement with the EC

By Paavo Rantanen, Head of the Commercial Department, Finnish Ministry for Foreign Affairs

The early years of the current decade, with its new phase in the economic integration of Western Europe, carried with them the obvious risk that Finland would be discriminated against in her exports to her most important traditional trading partners. In this new situation, the Finnish government had to face the challenge of securing the continuing viability of the backbone of the country's economy, the export industries. No one expected wonders from a trade agreement with the growing "giant" in Western Europe, but it was clear from the outset that a Finland excluded from the preference system in Europe would be critically wounded. This was the factual background for the decision by the government to initiate negotiations with the Communities and the clearly stated objectives of those negotiations were as follows:

- the Agreement should be consistent with Finland's foreign policy in general and with the objective of developing open trading relations with all countries,
- it should secure reasonably well Finland's trading interests in the markets of the EC countries, while allowing the maintenance of her traditional trade relations with the Soviet Union and other Eastern European countries,
- it should not infringe upon the extensive Nordic co-operation and the free trade between the Nordic countries achieved within the framework of EFTA, and
- it should in no way diverge from other international commitments that Finland had previously entered into.

All these basic objectives had been recognized when Finland in October 1973 signed her Free Trade Agreement with the European Communities and developments since then have meant a significant adherence to those objectives.

The Free Trade Agreements concluded with the Communities–one agreement with the EEC and the other with the ECSC–were purely commercial agreements, as in the case of the other EFTA countries, and provided for the gradual abolition of duties on industrial goods primarily by July 1st, 1977.

However, the customs barriers facing some of Finland's most important exports, such as paper and board representing about 25 per cent of her exports to the EEC, were submitted to a slower timetable extending over an eleven-year period. This was an important exception from the general rule and difficult for Finland to accept. On the other hand Finland on her part requested a longer protection for a number of her sensitive industries. Slower timetables for the reduction of the tariffs covering about 30 per cent of our imports from the EC were thus agreed upon. The EC furthermore recognized the special importance of the paper sector for Finland and gave assurances in a special declaration that it would keep in mind the great importance which trade in these products has for the Finnish economy when applying the provisions of the agreement.

The importance of paper and related products to the Finnish economy can hardly be exaggerated. It was understood on the Finnish side that the Community countries initially feared that EFTA and Finland could harmfully affect the supply of pulp into the EEC paper industry while imports of paper from Finland and other nordic countries would flood into the EEC.

With the benefit of hindsight, it is now easy to disparage those fears as groundless. For the foreseeable future there is sufficient supply of pulp to the EEC market from Scandinavia and North America. As to the exports of paper and board from Finland into the EC one can see that Finland's share in EC consumption has decreased. Finland has not had recourse to any disruptive pricing practices. In any case, Finland would hardly be in a position to play the role of a price leader even if she wanted to.

It may be judged somewhat lopsided to dwell at length on one specific sector covered by the FTA. However, already in the declaration annexed to the Agreement, the Community concurred with the Finnish view of the importance of trade in paper and board for the Finnish economy. In a time of recession this importance has been enhanced: more than ever Finland has felt the central role of these products in her trade with the EC. It is with satisfaction that we can now see that these special Finnish considerations have been duly taken into account. We hope that this will continue to be the case.

Functioning of the Agreement

It is worth bearing in mind that free trade between Finland and the European Communities has been in existence for a relatively short period and that in important sectors of our trade duties are still in force at varying levels. Evaluation of the economic effects of the FTA is even more difficult in the exceptional economic conditions of the last few years when the recession hit us as it did our partners.

In the last few years there have also been a number of other factors which have had their effect on the flow of trade. The sharp fluctuations in exchange rates and especially the spectacular rise in the price of energy are only two factors which have had a marked impact on the stability of world trade. But in a general way, it can be said that the Free Trade Agreement with the EC has fulfilled the one purpose that Finland placed on it–helping safeguard Finland's competitive position on the EC market. The lowering of Finnish tariffs has meant that Finnish industries have had to adapt to tougher

conditions but only in a very few extreme cases have the Finnish authorities deemed it necessary to resort to the safeguard mechanisms of the Free Trade Agreement. Finland's exports to the EEC area increased steadily between 1973 and 1977 with the exception of 1975, the worst year of economic recession. Exports went up from 6.7 billion Finnish marks in 1973 to 11.2 billion in 1977 whereas imports from the EEC grew in the same period from 6.7 billion to 10.5 billion marks. It is, however, worth noting that Finland's trade with EFTA countries grew at an even faster rate.

Present problems

The smooth functioning of free trade requires constant efforts to improve and simplify the technical framework in which the trade operates. An example of this are the rules of origin which are applied in order to determine which goods are eligible for free trade treatment. There is also an increasing need to find solutions to the problems posed by technical and administrative barriers to trade, the relative importance of which have been increasing with the abolition of duties and quantitative restrictions. It is, however, not my intention to go into any detail in these rather technical matters here but instead to deal with some more substantial and immediate problems with which the European free trade partners are faced today.

It would be disingenuous not to touch on some particular points–albeit in a short contribution–which have emerged with the tide of economic recession. For a small country like Finland, the smooth flow of trade is of vital importance and we believe that EFTA countries without exception share Finnish apprehensions of the growth of protectionism which has lately become prevalent. Finland believes that there is justified reason to express concern about some recent actions of the EC. Thus, for example, as regards steel the European free trade partners of the EC are confronted with protective measures although the root cause lies outside Europe. Demands for similar actions may appear in other sectors.

The world is different today from what it was only five years ago when Finland signed her Free Trade Agreement with the Communities. But the question must be raised whether the preservation of free trade within Europe is not an essential prerequisite for this continent's capacity to maintain its position vis-à-vis the rest of the world. The economy of Finland for instance is to a decisive extent geared to Europe, both West and East, and defending her trade advantages in the European markets is a matter of primary concern to Finland. The effectiveness of the Free Trade Agreement with the EC will largely be judged by the extent to which the Agreement secures free flow of trade between Finland and the EC in all possible conditions and situations. A case in point is the current situation in which Europe tries to adjust to new competitive conditions in world trade.

We have through our Free Trade Agreement arrived at a certain balance between our respective interests, but that balance is not something that continues automatically once the Agreement has been signed. It requires constant review and follow-up action. That balance, in turn, forms the basis for such a continuing economic growth as will allow us to develop our relations with the rest of the world on the basis of reciprocity.

Our Free Trade Agreement has established a common ground for pursuing various issues in the field of international trade relations. A good example is the ongoing round of mulilateral trade negotiations within the framework of the GATT. Quite a number of points of common interest to Finland and the EC can be identified and it is only natural that these mutual interests call for consultation in different phases of the negotiations.

The outcome of the GATT negotiations will hopefully strengthen the world economy as a whole. In the process towards this goal, the continuing effective functioning of the Free Trade Agreements in Europe is an indispensable means by which the objectives in a larger perspective are pursued. This is true particularly for a small country like Finland, whose economy is heavily dependent on the exports of a few products to a few countries in the European region. ■

Economic indicators from the EFTA countries

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

Austria

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1971 = 100	December 1977	128.6	− 1.8	− 2.7
Building and construction	Monthly production value	mill. Sch.	December 1977	5,168.5	− 8.1	+18.7
Retail trade	Volume index of retail sales	1973 = 100	December 1977	180.9	+33.8	+10.7
Labour	Employment index (a)	1956 = 100	January 1978	129.3	+ 0.7	+ 1.9
	Unemployment	thousands	January 1978	91.5	+21.8	+ 4.8
	Unemployment rate	percent of labour force	January 1978	3.3	2.7 (b)	2.5 (c)
Prices	Index of consumer prices	1976 = 100	January 1978	107.6	+ 1.0	+ 4.0
	Index of wholesale prices	1976 = 100	February 1978	104.3	+ 1.4	+ 1.5
Wages	Index of wage earnings	1966 = 100	January 1978	308.7	+ 0.4	+ 8.1
Foreign trade	Imports – value	mill. Sch.	March 1978	19,561.1	+15.3	− 4.6
	Imports – unit price index	1971 = 100	January 1978	138	− 0.7	+ 2.2
	Exports – value	mill. Sch.	March 1978	15,503.7	+15.8	+ 0.5
	Exports – unit price index	1971 = 100	January 1978	132	− 3.6	− 2.3
Exchange rate		Schillings per dollar	28 April 1978	14.8825	14.565 (b)	16.7650 (c)

Finland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1970 = 100	January 1978	131	+ 5.6	+ 1.6
Building and construction	Buildings completed	mill. cub. met.	4th Qt 1977	14.01	+28.3	+ 6.5
Retail trade	Volume of cooperative retailing (a)	1972 = 100	November 1977	110	− 0.9	− 6.0
Labour	Employment	thousands	December 1977	2,029	0	− 2.7
	Unemployment	thousands	April 1978	185.4	− 2.4	+17.6
	Unemployment rate	percent of labour force	April 1978	8.5	8.8 (b)	6.9 (c)
Prices	Index of consumer prices	1972 = 100	March 1978	207.4	+ 0.3	+ 9.0
	Index of wholesale prices	1949 = 100	March 1978	716	+ 0.7	+ 5.0
Wages	Index of wages and salaries	1964 = 100	4th Qt 1977	442	+ 0.2	+ 8.9
Foreign trade	Imports – value	mill. markkaa	March 1978	2,550	+16.5	+ 6.1
	Imports – unit price index	1975 = 100	4th Qt 1977	131	+ 0.8	+16.9
	Exports – value	mill. markkaa	March 1978	2,750	+ 9.0	+ 4.9
	Exports – unit price index	1975 = 100	4th Qt 1977	125	+ 2.5	+15.7
Exchange rate		Markkaa per dollar	28 April 1978	4.2420	4.1450 (b)	4.0510 (c)

Iceland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Fish catch	Volume	thousand tons	February 1978	231.0	+137.2	− 32.8
Production for exports	Value	mill. Kr.	December 1977	9,021.0	+ 8.2	+109.0
Labour	Unemployment	number	February 1978	511	− 11.8	+ 8.0
	Unemployment rate	percent of labour force	February 1978	0.5	0.6 (b)	0.5 (c)
Prices	Index of consumer prices	1/1/1968 = 100	1st February 1978	1,060	+ 12.2	+ 37.5
Wages	Index of hourly wages	1969 = 100	4th qtr. 1977	923.1	+ 7.0	+ 49.2
Foreign trade	Imports – value	mill. Kr.	March 1978	13,759.4	+ 16.8	− 1.6
	Exports – value	mill. Kr.	March 1978	9,839.0	− 4.9	+ 53.8
Exchange rate		Kronur per dollar	28 April 1978	254.70	254.70 (b)	192.55 (c)

Norway

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (a)	1970 = 100	February 1978	113	− 5.8	− 2.6
Building and construction	Buildings completed	Thousand sq. meters	February 1978	2,648	− 1.1	+ 6.6
Retail trade	Index of retail sales (a)	1975=100	February 1978	133	− 0.8	+10.8
Labour	Unemployment	Thousands	February 1978	21.3	− 4.1	+ 2.9
	Unemployment rate	percent of labour force	February 1978	1.2	1.2 (b)	1.1 (c)
Prices	Index of consumer prices	1974 = 100	March 1978	141.3	+ 1.0	+ 8.5
	Index of wholesale prices	1977 = 100	March 1978	102	+ 0.2	+ 3.5
Wages	Index of hourly earnings (male workers)	1974 = 100	4th Qt. 1977	159	+ 1.9	+ 8.2
Foreign trade	Imports – value (e)	mill. Kr.	March 1978	4,678	− 5.7	−21.2
	Imports – unit price index	1970 = 100	4th Qt. 1977	180	+ 2.9	+ 9.8
	Exports – value (e)	mill. Kr.	March 1978	3,622	+17.4	− 0.4
	Exports – unit price index	1970 = 100	4th Qt. 1977	179	+ 3.5	+ 5.9
Exchange rate		Kroner per dollar	28 April 1978	5.4250	5.3070 (b)	5.2730 (c)

Portugal

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (f)	1970 = 100	December 1977	163.1	− 2.9	+10.6
Building and construction	Building permits issued	number	3rd Qt. 1977	19,097	+ 3.2	+18.1
Labour	Employment	1968 = 100	4th Qt. 1977	103.9	− 2.5	− 1.6
Prices	Index of consumer prices in Lisbon (housing excluded)	1963 = 100	February 1978	460.6	− 1.7	+16.4
	Index of wholesale prices (Lisbon area)	1963 = 100	January 1978	387	+ 3.2	+30.3
Wages	Index of wages in agriculture (men)	1968 = 100	January 1978	395	− 3.0	+14.5
	Index of wages in industry and transportation (Lisbon area)	1968 = 100	4th Qt. 1977	346.5	− 1.3	+13.7
Foreign trade	Imports – value	mill. Escudos	March 1978	15,997.3	+ 3.4	+12.9
	Exports – value	mill. Escudos	March 1978	7,501.1	+ 7.4	+17.8
Exchange rate		Escudos per dollar	4 May 1978	42.296	40.727 (b)	38.714 (c)

Sweden

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1968 = 100	February 1978	126	+ 2.4	− 4.6
Building and construction	Dwellings completed	thousands	January 1978	4.1	−16.3	− 8.9
Retail trade	Index of retail sales	May 1970 = 100	December 1977	290	+36.8	+ 9.4
Labour	Employment	thousands	March 1978	4,060	− 0.5	− 0.5
	Registered unemployment	thousands	March 1978	96	+ 4.3	+47.7
	Unemployment rate	percent of labour force	March 1978	2.3	2.2 (b)	1.6 (c)
Prices	Index of consumer prices	1949 = 100	March 1978	462	0	+13.0
	Index of producer prices	1968 = 100	March 1978	219	+ 0.3	+ 6.8
Wages	Index of direct wages in mining, quarrying and manufacturing	1947 = 100	November 1977	1,461.1	+ 5.0	+ 8.8
Foreign trade	Imports – value	mill. Kr.	March 1978	7,500	+10.3	−10.1
	Imports – price index	1959 = 100	4th Qt. 1977	28.4	+ 6.0	+19.8
	Exports – value	mill. Kr.	March 1978	8,100	+ 9.5	+ 7.4
	Exports – price index	1959 = 100	4th Qt. 1977	268	+ 1.9	+ 8.0
Exchange rate		Kronor per dollar	28 April 1978	4.6700	4.5975 (b)	4.3335 (c)

Switzerland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1963 = 100	4th Qt. 1977	156	+ 7.6	+ 2.6
Building and construction	Dwellings built	number	March 1978	1,584	+133.3	+36.8
Retail trade	Index of retail sales	1949 = 100	February 1978	434.9	− 8.2	+ 1.2
Labour	Employment index	3rd Qt. 1966=100	4th Qt. 1977	90.3	− 1.2	+ 0.7
	Unemployment	number	March 1978	11,179	− 22.6	−20.5
	Unemployment rate	percent of labour force	March 1978	0.4	0.5 (b)	0.5 (c)
Prices	Index of consumer prices	Sept. 1977=100	March 1978	100.5	+ 0.1	+ 1.3
	Index of wholesale prices	1963 = 100	March 1978	144	− 0.2	− 3.5
Wages	Hourly earnings of workers	S.Fr.	4th Qt. 1977	11.17	+ 0.4	+ 2.1
	Monthly earnings	S.Fr.	4th Qt. 1977	2,596	+ 0.5	+ 1.7
Foreign trade	Imports – value	mill. Fr.	March 1978	3,862	+ 17.3	− 4.0
	Imports – unit price index	1970 = 100	February 1978	116.1	− 4.8	− 9.7
	Exports – value	mill. Fr.	March 1978	3,537.5	+ 5.9	− 2.7
	Exports – unit price index	1970 = 100	February 1978	127.8	− 1.3	− 4.3
Exchange rate		Francs per dollar	8 May 1978	1.9725	1.8675 (b)	2.5238 (c)

EFTA industrial news

● An example of industrial cooperation between enterprises in EFTA and in Yugoslavia has recently been announced in Austria. Led by the Austrian firm *Waagner Biro,* a consortium of three Austrian and three Yugoslavian firms is to construct a 45-MW thermal power plant in Rijeka (Yugoslavia). The project will be worth some 212 million schillings to the three Austrian firms, Waagner-Biro, *Siemens Ltd. Austria,* and *Bohr- und Rohrtechnik Ltd.*

● An agreement was recently signed between *Saab Scania* (Sweden) and the National Development Corporation of Tanzania for the assembly of Scania trucks and buses at a new factory to be constructed near Dar es Salaam. The factory will produce 1,200 chassis a year.

● The Soviet Union has placed an order worth 18 million schillings with the Austrian firm *Integral Engineering* (Vienna) for an industrial waste incinerator. The incinerator is to be delivered to an artificial leather factory and will burn not only production waste but also distillation residue, PVC dust and municipal waste.

► The Swiss firm *Luwa AG* (Zurich) has put into operation a second complete multistage vacuum distillation plant for the purification of caprolactam in Bulgaria. It will have an annual output of 15,000 tonnes. The overall project was carried out in cooperation with Chimprojekt of Sofia.

● In Finland an amateur gliding club has built the prototype of a small plane, the Sytky, which can fly in any weather. Tested by the Helsinki College of Advanced Technology, it is 5.4 metres long, has a wingspan of 8 metres, weighs 220 kilograms (unloaded), and has a cruising speed of 140 kilometres an hour. The wings, ailerons and fuselage are of wood but the main frame of the fuselage is metal; the floor in plywood. The design required the assembly of a considerable number of small parts using a material strong enough to withstand all weathers; the adhesive Araldite, manufactured by *Ciba-Geigy* of Switzerland, was found to fulfil these requirements and was used exclusively in assembling the Sytky.

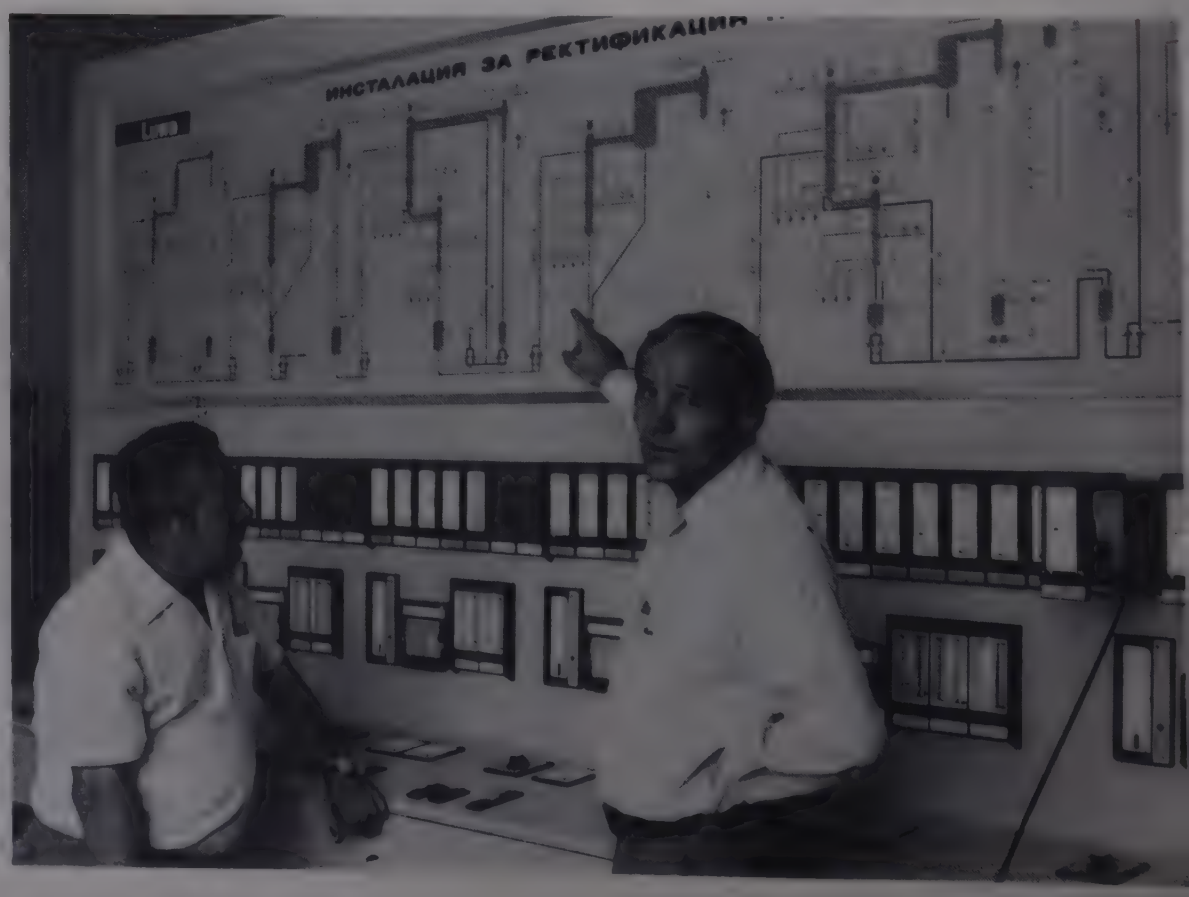
● The largest Swiss manufacturer of commercial vehicles–*Saurer SA* (Arbon)–has just brought out a prototype ultra-silent gas engine. For use in buses and lorries, the engine was designed principally with a view to reducing fuel consumption and the pollution factor. It will be particularly suitable for vehicles circulating in built-up areas.

● Norway has just signed a credit agreement with Brazil for 50 million US dollars with a view to increasing exports of Norwegian goods and services to that country. A further credit agreement, worth 20 million dollars, has been signed between Norway and Petrobras, the state-owned Brazilian oil company. Norway will probably provide know-how in the fields of oil exploration and offshore operations.

● The Swedish government recently approved the purchase from *Kongsberg Våpenfabrikk* of Norway of Penguin rockets worth 150 million Norwegian kroner. The rockets will be mounted on Swedish petrol vessels at present under construction at the Norwegian shipyard Bergens Mekaniske.

● A firm of Finnish consulting engineers, *Jaakko Pöyry Consulting Oy,* has just signed a contract with Iran for planning a sawmill and a plywood factory and a chipboard plant. More than 100 million dollars are to be invested in this plant, which will be integrated with a paper-mill already under construction. Jaakko Pöyry will be working in cooperation with an Iranian firm of consulting engineers, Technolog Inc., which was appointed by the government to promote industrialisation in Iran. The three factories will produce respectively 12,000 cubic metres of sawn wood, 23,000 cubic metres of plywood and 150,000 square metres of chipboard panels. The raw materials will come from the Caspian forest region.

● The Portuguese shipyard *Setenave* recently launched the first giant oil tanker (313,000 tons) entirely constructed in Portugal. The vessel, equipped with an anti-collision radar and a navigation system by satellite, was ordered by the oil company Soponata.



● *Landis Gyr* of Switzerland (Zug) and the Indian firm Industan Machine Tool International will together supply factories in Algeria with electricity and water meters. The contract, worth 40 million Swiss francs, was signed in Algiers between the National Electricity and Gas Board of Algeria and the two companies concerned. Landis & Gyr will receive 12 million Swiss francs for the supply and installation of production machinery for the electricity meter factory.

● The Swiss construction form *Mobag International* (Zurich) has received an order from the government of the State of Bendel, Nigeria, for a shopping centre at Warri comprising a 220,000 foot square covered market, related buildings, offices and a day nursery. The cost of the project is estimated at 20 million Swiss francs and construction will take some thirteen months. Mobag obtained the contract through Frama Nigeria Ltd. of Lagos, in which it has a participation.

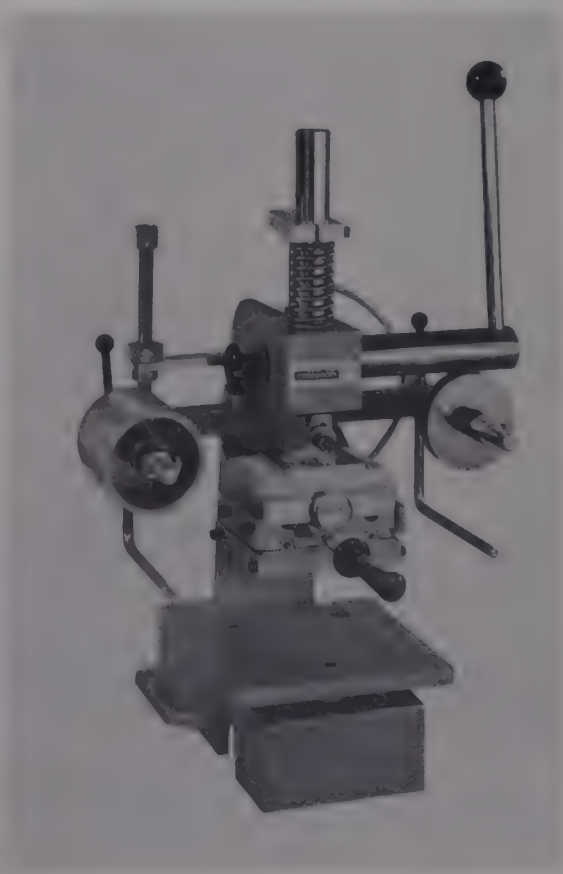
● A new diamond saw blade recently put on the market by the Austrian firm *Tyrolit Schleifmittelwerke Swarovski* has halved the time normally taken to rip up asphalt surfacing using the traditional pneumatic drill. Capable of removing asphalt surfaces at the rate of 10 to 15 feet a minute, the diamond saw has the double advantage of being cheaper to run and of involving minimum noise during operation.

▲ The service life of decayed wooden electricity poles can now be prolonged by 10 years thanks to a reinforcing technique developed by the Swedish State Power Board and *Dynapac Maskin AB*. Up to four staves of special steel, 2.5 metres long, are placed upright at the side of the pole and driven 1.25 metres into the ground by means of a vibrator rig attached to the pole by a special tackle. An additional advantage of this technique is that the decayed poles can be reinforced without cutting off the power.

● *Lasitukku Oy* of Finland is to supply triple-glazed insulating glass elements with aluminium frames to the Swedish firm Lenhovda Snickerifabrik. Worth 25 million Finnish marks, this contract represents the largest export transaction ever concluded by a Finnish firm in the glass sector. Lasitukku has been exporting insulating glass mainly to the Scandinavian countries but has recently obtained sub-contracting orders for the Arab countries and the USSR.

● The Finnish company *Lemminkäinen Oy* is to install the water and sewage conduits, the electricity supply and the lighting for a new residential zone of 1,100 dwellings near Monrovia in Liberia. The contract is worth 40 million Finnish marks and work is expected to be completed within the next two years. Some of the material used will be of Finnish origin. Lemminkäinen Oy was also awarded a similar contract by Nigeria.

▼ A new multi-purpose handprinter, the P 14 HB, has been brought out by *Madag-Pressor* of Switzerland. It can be used for printing samples and limited series, sealing sachets and blister packs, pressing, drilling or codifying operations. Printing by hot foil stamping permits a rapid change of colour and design on a variety of materials. The printing area is 100 x 120 mm. and numerous accessories are available which increase the range of uses to which the handprinter can be put.



Solar energy in Switzerland

by Riccardo E. Müller, Federal Energy Office, Berne

Fig. 1

Switzerland has an annual average of some 1500-1800 hours of sunlight. Countries such as Saudi Arabia, for example, have figures about twice as high as this and, consequently, it can be seen that in more southerly regions solar energy can be exploited more economically. On the other hand, in Switzerland, petroleum products account for an extremely high proportion of total energy consumed—in fact, the figure for 1976 was 76.6 per cent. For these reasons, efforts are being made at a national level not only to introduce greater economy in energy consumption as a whole but also to ensure greater diversification of energy sources. Switzerland has no coal deposits of any significance. Until now, apart from wood, hydraulic power has been the most widely used regenerable energy source. In the widest sense, this too is solar energy. The next step is to use solar energy directly for heating buildings and for hot-water production. However, studies are also being carried out on the use of solar energy for electricity generation.

Activity in the private sector

In October 1977, there were some 500 solar energy installations in Switzerland—mainly systems for heating swimming pools, hot-water production and, in some cases, for heating private houses. These installations were carried out with government subsidies. Numerous large and small firms manufacture collector panels for both domestic use and export. Fig. 1 shows a good example of how collector panels can be harmoniously incorporated into a building when built in at the design stage. With 20 m^2 of panel, sufficient heat is produced for hot water and a part of the underfloor heating. The remaining heat requirement is met by an oil boiler. Swiss firms have also developed concentrator collectors which are in use throughout the world. Fig. 2 shows such a collector on a test bench. The introduction of concentrator collectors opens up new fields of application, in particular for building cooling, industrial heating and water processing.

What the Federal Authorities are doing

A recent study carried out as part of a total energy review (1) has estimated that, in 1985, solar energy will account for about 0.5 per cent of total energy consumption. For this to be achieved, it will be necessary to install around 1 million m^2 of solar collectors. The prime uses here are domestic hot water production, home heating and swimming-pool heating.

Those dealing with the subject of solar energy all require a back-up of meteorological data. The Swiss Central Meteorological Institute entered this field at a relatively early date and, for example, a mobile solar-measurement unit equipped with seven pyranometers has been in use since 1973.

Fig. 2

The use of solar energy in agriculture is being dealt with by the Dairy Industry Laboratory of the Zurich Federal Polytechnic. One of Switzerland's contributions to development aid has been the development of a solar cheese works for Afghanistan. The Federal Reactor Research Station in Würenlingen has its own collector testbed (Fig. 2). An artificial-light testbed is now under construction. The same Institute is developing an instrument package for longterm monitoring of solar installations in private houses. The climatic conditions in Switzerland have a wide range of variation. Consequently, there is little point in building a governmental solar house. Rather, existing solar houses in different climate zones are being fitted with standard instrument packages. Trials with highly concentrated sunlight and studies with latent heat accumulation are being carried out, in particular, at the Federal Polytechnic in Lausanne.

In Switzerland, solar radiation is more favourable in the mountain areas than in the plains, especially in winter. Consequently, it would be possible to install solar stations for electricity generation in the Alps. The combination of solar plants with existing hydraulic storage installations makes it possible to overcome partly the drawbacks resulting from the irregularity of solar radiation availability. A study (3) carried out by the Federal Commission for Overall Energy Planning shows how it would be possible in the 1990's to construct solar power stations in the Alps with a capacity of some 100 MWe. Further studies are needed before a decision in this direction can be taken. Fig. 3 shows an artist's view of an Alpine installation of this type. Other Alpine countries have already expressed interest in these studies.

International activities

In addition to its bilateral contacts, particular mention should be made of the two agreements on solar energy in which Switzerland has participated within the International Energy Agency in Paris.

In February 1977, Switzerland signed a collaborative agreement with Austria, Belgium, Denmark, the Federal German Republic, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom and the USA. The programme covers the development and testing of solar heating and cooling systems. The agreement includes the following three-year projects:

— computer models for the simulation and optimalization of solar heating, cooling and hot-water production installations;
— development of solar installation components;
— standard measurement methods for solar collector testing installations;

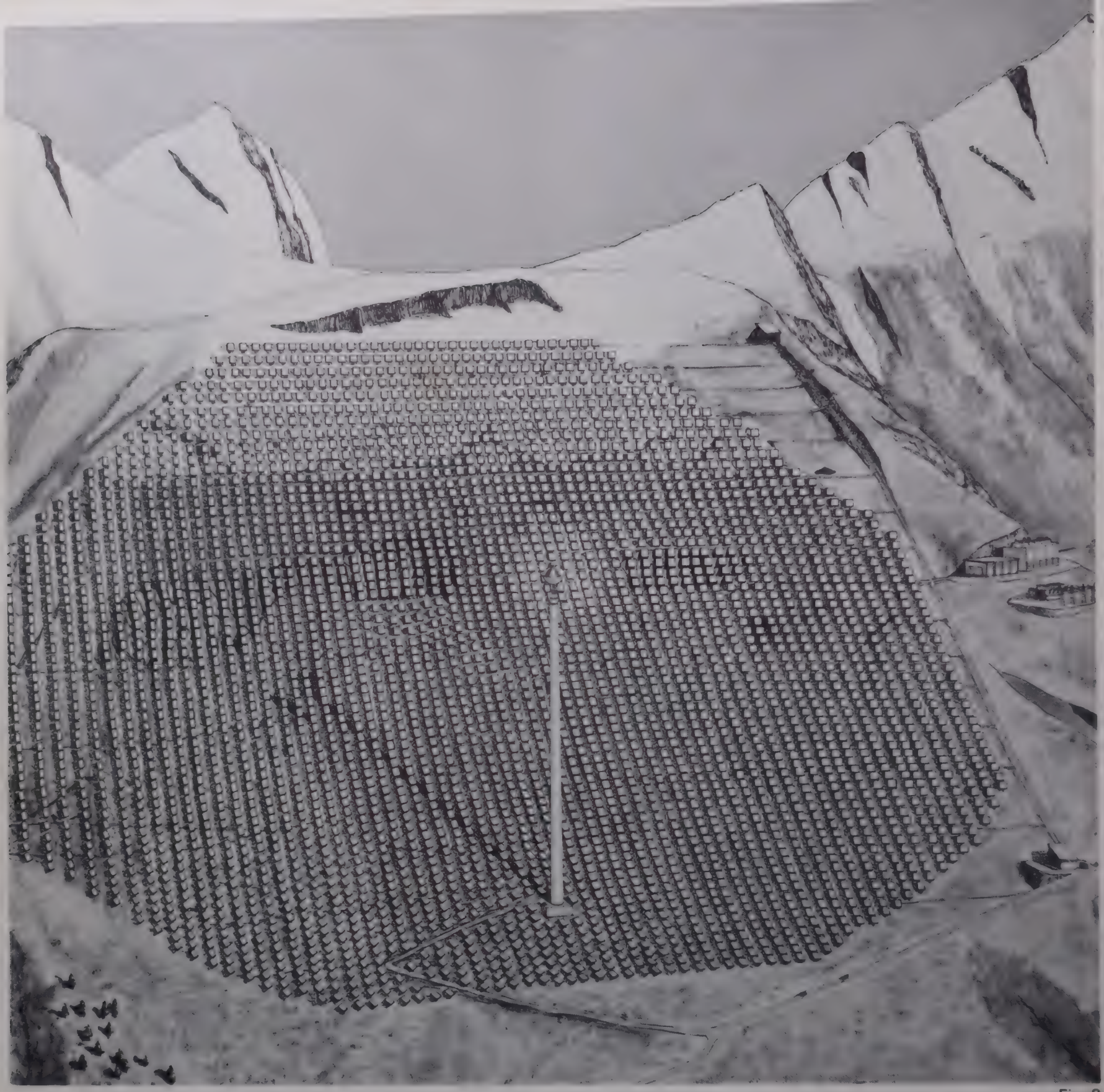


Fig. 3

— measuring instrument groups and the drafting of a manual on solar radiation and other meteorological measurement data;
— application of existing meteorological data.

The participating countries can, in this way, obtain basic information by way of exchange for their own research. Duplication is avoided and uniform standards are developed from the very start.

In October 1977, a further agreement covering preparations for the construction of solar electricity generating stations was signed by the following countries: Austria, Belgium, the Federal Republic of Germany, Greece, Italy, Spain, Sweden, Switzerland and the USA. In a preliminary stage, design data will be developed for the construction in Spain of two solar power stations of different design—a power tower and a distributed collector system, each with a capacity of 500 kWe. Following the completion of this initial stage, a decision will be taken on the implementation of these two projects. For this, a new agreement will be required.

Future prospects

Direct utilization of solar energy is still in its infancy. Consequently, developments are still taking place rapidly and it is difficult to make forecasts. A considerable research effort is required, for example, in the field of heat storage units. Development and demonstration projects need to be brought to fruition. It would certainly be in everyone's interest if these efforts could be undertaken within the framework of wide-ranging international cooperation.

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■

Ministerial Meeting of the EFTA Councils

Geneva, 25th - 26th May 1978

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 25th and 26th May 1978 under the Chairmanship of Mr. Willibald P. Pahr, the Austrian Foreign Minister.

The Ministers devoted their attention primarily to certain aspects of the current economic situation which were of relevance to the EFTA countries. The rates of growth expected in many countries were insufficient to ensure a reduction in unemployment and the Ministers agreed that in this situation all countries in a position to participate, and particularly the larger and stronger economies, should take concerted action to ensure an early upswing in international economic activity. They expressed the hope that the high-level meetings taking place in the next weeks would result in re-establishing confidence and in setting the foundation for a favourable development. The EFTA countries would, as part of this effort, also take all the steps possible which would permit a balanced development of their economies. Care should also be taken to ensure that stimulative action did not create new inflationary pressures or interfere with efforts to control such pressures.

The continuation of the slow growth of world demand and production and the threat to employment had partly been responsible for the spreading of protectionist pressures and actions on a scale and in forms that were deeply disturbing and counter-productive. The Ministers reaffirmed that they were determined to contribute effectively to the maintenance and development of a liberal international trading system, stressed the importance of a renewal of an appropriately strengthened OECD Trade Pledge, and emphasized again, also in this context, the importance of a revitalized world economy.

Ministers emphasized the special character of the relations between the European Community and the EFTA countries as major trading partners linked by the Free Trade Agreements. The full implementation of these agreements should be secured. The EFTA Convention and the Free Trade Agreements are important parts of the international trading system. It is essential that the rules of this system are followed by all parties in spite of temporary difficulties of adjustment encountered in the world economy as a whole.

Ministers also expressed satisfaction at the progress made in the multilateral trade negotiations in the framework of the GATT and considered it essential to pursue the efforts to achieve substantial results in these negotiations by the target date of mid-July. They also hoped that all the countries concerned would continue to seek the widest possible trade liberalization, where appropriate by improving their offers. They reaffirmed their conviction that, particularly in the present economic situation, a successful conclusion of the multilateral trade negotiations was of the greatest importance for the maintenance of a liberal world trading system.

Ministers reviewed the work being done in EFTA to realize the long-term strategy for economic co-operation agreed at the EFTA summit meeting in Vienna a year ago. They took note of initiatives concerning the enlargement of co-operation between individual EFTA countries and the European Community as well as of the steps taken to strengthen intra-EFTA co-operation.

The Ministers welcomed the efforts being made by the Portuguese Government in order to improve the economic situation of the country and to restore confidence in Portugal. Ministers took note with satisfaction of the results achieved by the EFTA Industrial Development Fund for Portugal in its first full year of operation.

Ministers reiterated their appreciation of the valuable contribution by the Consultative Committee to the work of the Association. They generally welcomed the invitation from the Norwegian Government to hold in Oslo a tripartite conference of the representatives of Governments, employers and workers of the countries of Western Europe, on the employment situation in Europe.

After hearing a report on the first meeting of the Committee of Members of Parliament of the EFTA countries, the Ministers welcomed the active interest of Members of Parliament in the work of the Association and the close contacts now established between the Councils and the national Parliaments.

Ministers took note of the present situation in the negotiations between the EFTA countries and Spain for a multilateral trade agreement and reaffirmed their interest in the continuation of these negotiations.

The next meeting of the Councils at Ministerial level will be held in Geneva on 23rd and 24th November 1978. ■

The month in EFTA

The main events in EFTA's month were the Ministerial meeting of the EFTA Councils–see reports on page 3 and on this page–and the continuation of the negotiations between the EFTA countries and Spain–see report on page 22. Both of these matters were the subject of much preparation during the month, both in the EFTA capitals and in the Councils.

Formal and informal discussions in the framework of the Councils always precede the meetings at Ministerial level in order to prepare for the Ministers' deliberations and identify the main themes on which they will focus their attention.

It is perhaps worth recalling here that the Councils always have the same legal powers whether the participants are the officials who head the national delegations to EFTA in Geneva, and who usually meet once a week, or Ministers, who normally meet twice a year. But the direct involvement of the Ministers can give a new direction or a new emphasis to the work being done at official level in EFTA when the need or the occasion arises.

It is the Ministers who are particularly concerned with the political aspects and goals of the free trade achieved within EFTA as well as within the free trade system linking the EFTA countries and the European Community. Their discussions, both at the conference table and in the more informal conversations that invariably take place when Ministers come together for Council meetings, are the main element in EFTA's consultations on matters of common economic interest. ■

EFTA Industrial Development Fund for Portugal
First Annual Report published

Loans totalling 941 million escudos (23.5 million US dollars) for a variety of industrial investment projects in Portugal were approved by the EFTA Industrial Development Fund for Portugal in its first year of operations, which ended on 31st January 1978.

The Fund's first annual report shows that the loans, which are designed to assist the modernisation or creation especially of small and medium-sized firms, will provide more than 1,000 new jobs when the installation of new plant and machinery is completed. But, in addition, many of the projects involve investment in new equipment which will increase productivity and so provide greater job security for the larger number of persons already employed by the companies concerned. Loans have been granted for projects in thirteen of the eighteen districts of continental Portugal.

Altogether, the cost of the forty-seven projects for which the Fund had approved loans by the end of its first year amount to over 1,800 million escudos, with almost half the finance coming from other sources, including the companies' own projected retained earnings.

An important part of the investment is being spent on machines and other kinds of equipment, purchases of which from Portugal and other EFTA countries will amount to over 887 million escudos.

The size of the EFTA Industrial Development Fund for Portugal will be about 100 million US dollars (84,604,516 Special Drawing Rights). All the seven EFTA countries are contributing; their contributions are being made available in five annual instalments and the life of the Fund will be 25 years.

Copies of the Annual Report, in English or in Portuguese, are available free of charge from the EFTA Secretariat.

New loan approved by Steering Committee

The first big loan approved by the Steering Committee of the Fund after the completion of the first year of operations was one of 95 million escudos for FIBROGAL–Fibrocimentos de Portugal. This was approved when the Steering Committee for the first time met in Lisbon, on 27th and 28th April.

The loan is for the construction of a new 166 million escudo factory for the production of asbestos cement products in the Santarem district north of Lisbon. The number of persons employed in the factory will be 83. At the request of the Steering Committee special attention will be given to all aspects of the project that involve possible health risks.

Negotiations between EFTA countries and Spain

A further round of negotiations for a multilateral trade agreement between the EFTA countries and Spain was held in Geneva from 16th to 19th May.

During the meetings held at technical level and in plenary session it was possible to increase the number of points on which provisional agreement has been reached and to clarify the national positions on the few, but important, matters that remained to be solved. These include the provisions for matching any further liberalisation under the 1970 trade agreement between the EEC and Spain, quantitative restrictions, government aids and the treatment of processed agricultural products. The negotiations will be continued in the second half of June.

There were also bilateral discussions on trade in agricultural products at the same time as the multilateral negotiations.

Committee of Origin and Customs Experts

A preliminary discussion of the possibility of having uniform regulations in the EFTA countries and in the EC for minor non-commercial imports by travellers crossing national frontiers was one of the items on the agenda of the Committee of Origin and Customs Experts at its meeting in April.

The subject is being considered in the Committee at the request of the Councils because the Parliamentary Assembly of the Council of Europe recommended at its last meeting that there should be uniformity in order to bring home to public opinion that there is free trade between the sixteen countries in EFTA and the EC.

Registration of pharmaceutical products

A group of experts on the registration of pharmaceutical products met on 18th and 19th April to begin drafting the text of a scheme by which national registration authorities could exchange reports on the evaluation of pharmaceutical products.

The scheme would make it possible for a national registration authority to accept, wholly or in part, evaluation reports prepared by the authority in another country and thus make it unnecessary for the process of evaluation of the scientific data relating to a particular product to be carried out in more than one country.

The drafting group was set up by the EFTA Councils after they had accepted the recommendation of another group of experts that a scheme of this kind would provide an appropriate method of reducing the effects of differences in national procedures for the registration of pharmaceutical products.

Pharmaceutical Inspection Convention Committee of Officials

The Committee of Officials established under the Pharmaceutical Inspection Convention agreed at a meeting on 9th May on the programme for a seminar to be held in Oslo in June.

Senior inspectors from the twelve Convention countries as well as from other countries interested in the Convention will attend the seminar–the eighth of its kind–which is intended to promote the mutual training of inspectors in the application of the Convention. The subject will be the manufacture of large volume parenterals (liquids for intravenous feeding).

The other main matters dealt with by the Committee were future training activities, the geographical extension of the Convention, and the possibility of drawing up guidelines for the stability of pharmaceutical products.

The Convention is in operation in Austria, Denmark, Finland, Hungary, Iceland, Ireland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Reciprocal recognition schemes Ships' equipment

Representatives of the ten national authorities participating in the international reciprocal recognition scheme for ships' equipment concluded at a recent meeting that the scheme was in fact saving time and money both for marine administrations and for the equipment manufacturers. It did this by reducing the time spent abroad by inspectors in order to verify that national requirements were fulfilled since no foreign travel is necessary when inspections of equipment made in one of the ten countries are accepted under the scheme.

The participating authorities also agreed that even greater use could be made of the scheme if it were not for the current recession in the shipbuilding industry and that the discussions at their meetings helped to overcome barriers to trade between their countries.

At the meeting, which was held in Geneva on 25th and 26th April, the maritime administration of the Federal Republic of Germany was present for the first time since it joined the scheme on 8th February. The other countries represented in the scheme are Denmark, Finland, Iceland, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia.

Recalling the appeal of the Parliamentary Assembly of the Council of Europe for the participation of all Council of Europe countries in the reciprocal recognition schemes, the participating authorities agreed that other maritime administrations which had already expressed an interest in the scheme should be asked whether they had come any closer to a decision to join.

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☐ **The EFTA Industrial Development Fund for Portugal.** A short leaflet containing general information about the Fund, the statutes, and some statistical data on Portugal. *English, German* and *Portuguese.*

Trade studies

☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

☐ **The trade effects of EFTA and the EEC 1959-1967.** Also of interest mainly to economists. Contains 168 pages with 77 tables. *English, French* and *German.*

☐ **EFTA Facts and Figures.** A 14-page booklet giving statistical information on each of the EFTA countries. July 1976. *English, French* and *German.*

Regional policy in EFTA

☐ **An Examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

☐ **Industrial Estates.** A study of the industrial estate system (1970). 80 pages. *English only.*

☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only.*

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Seventeenth Annual Report of EFTA.** July 1976-June 1977. *English, French* and *German.*

☐ **EFTA Annual Reports 1967 to June 1976.** *English, French* and *German.*

☐ **First Annual Report of the EFTA Industrial Development Fund for Portugal.** April 1978. *English* and *Portuguese.*

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German.* (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

☐ **Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.** (1970). Bilingual *English-French, German, Italian.*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972). Bilingual *English-French.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

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☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Lifting Appliances** (1978). *In stencilled form in English.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel** (1978). *In stencilled form in English.*

Brochures published under the auspices of the Pharmaceutical Convention:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture and Analysis under Contract.** Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German.*

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers prsented at a seminar held in Copenhagen, June 1975.

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg, June 1976.

☐ **Modern methodology for the isolation, identification and quantification of drugs and related substances.** Papers presented at a seminar in Uppsala, June 1977.

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July/August 1978

European Free Trade Association

Economic situation in the EFTA countries – Population of the EFTA countries: stabilisation in sight? – Joint EFTA-Yugoslavia Committee established.

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Cover page: *the growth in the population of the EFTA countries is decreasing and this trend will probably continue for some years. The demographic development in these countries is described in an article on page 12. (Photos: Eric Jacquerod)*

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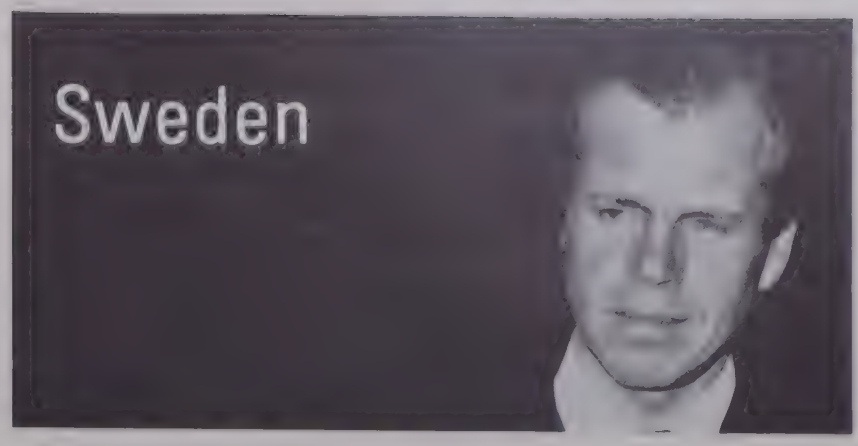
Statements by the EFTA Ministers on the economic situation



Editor's note: *The June issue of the EFTA Bulletin contained a short report on the EFTA Ministerial meeting held in Geneva on 25th and 26th May and included a brief account of the concern expressed by the Ministers about the economic situation. Because of the importance of the debate it seems worthwhile to return to it and to publish extracts from the statements made by the Ministers, in the order in which they were presented at the meeting.*

The selection of the extracts is intended to bring out the descriptions of the state of the national economies and the conclusions of the Ministers rather than (except in the first two statements) the analyses of the general situation.

The Icelandic Minister of Commerce was not present since municipal and general election campaigns were taking place in Iceland at the time. The Icelandic views were expressed by the Secretary General of the Ministry of Commerce.

Staffan Burenstam Linder

Time for concerted action

The first speaker was the Swedish Minister of Commerce, Mr. Staffan Burenstam Linder, who, speaking without notes, described the background to the Ministers' debate:

– the economic revival seemed not to be materialising as quickly as had been hoped;

– investment activity was weak in most countries because of persistent over-capacity and also a lack of confidence in many quarters;

– there was considerable unemployment, hidden or open, in many countries, and a low degree of use of physical manufacturing capacity;

– unemployment was aggravated because concentrated in certain areas and certain categories, such as young people;

– slow growth of trade, and persistent payments imbalances;

– strong inflationary pressures in most countries, which have been combatted by restrictive policies that make a revival more difficult;

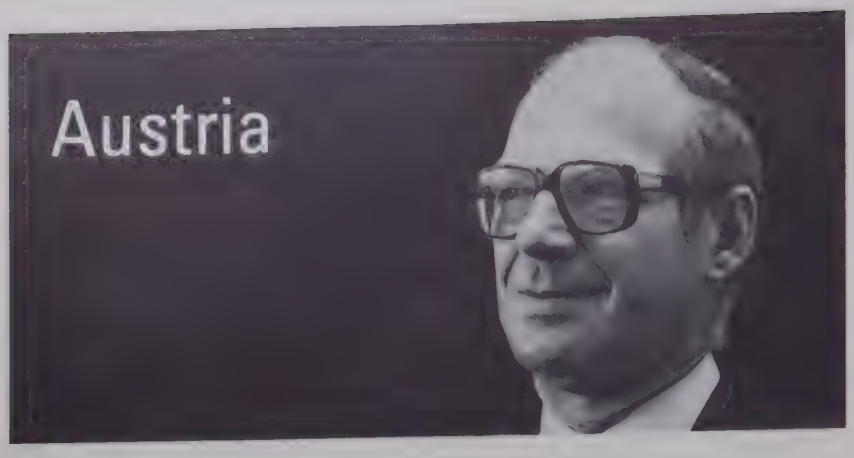
– greater lack of flexibility in industrial structures.

Mr. Burenstam Linder contrasted two successive stages in developments since the start of the energy crisis. In the first it was recommended that countries should continue to follow expansionary policies, a recommendation which was acted on more by small countries than by big countries. In the second stage–the present one–it became more difficult for small nations to maintain these policies more or less on their own. Some of the bigger countries at least had not recently done enough in the way of stimulatory policies. The difficulties that resulted for the smaller countries had made it necessary for them, or some of them, to change the direction of their policies. Hence they experienced considerable employment problems; and the continued lack of stability caused great dangers for the monetary system. To a certain extent the strains could be tolerated but prolonged difficulties caused complications for monetary cooperation, and also for trade policies as the protectionist pressures show.

The international interdependence had been regarded as a fortifying element in the world, both politically and economically. If the difficulties continued they would give support to those who argued that this kind of interdependence was becoming expensive and that measures would have to be taken to reduce it, which would be very dangerous both economically and politically. The conclusion Mr. Burenstam Linder drew was that it was time for concerted action to get more growth into the economy.

Taking Sweden as an example, Mr. Burenstam Linder pointed out that it had been forced to take various measures to overcome its difficulties. This had been done quite successfully so far, bringing the rate of inflation down to quite a low level and improving the balance of trade picture dramatically. But it was not in a position to restart stimulatory policies unless other countries did so, and he thought that many other countries were in the same position.

Mr. Burenstam Linder concluded by saying that in a free society it was not only governments that bear responsibility. Other quarters have also to assume responsibility, and he mentioned industry and labour, both individually and in their negotiations on wage levels. This kind of responsibility had been shown in Sweden in the recent two-year wage contracts. These involved quite a low level of cost increases, so that a basis was there for taking more active economic measures. But it would not be possible to adopt such measures unless there was concerted action on an international scale.



Willibald P. Pahr

Full employment but large deficit

After the modest recovery of the world economy in 1976 and at the beginning of last year all further hopes that the frail upswing would continue were disappointed. Slower growth characterizes the economies of the industrial countries at present and the latest OECD forecasts indicate a growth of 3½ per cent for this year which corresponds to the rate of last year. Thus, only little change in the economic performance can be expected.

However, a rate of growth between 4 and 4½ per cent is needed just to maintain employment more or less unchanged. Therefore, these forecasts imply that unemployment in the Western industrial countries will continue to rise and may, by the end of this year, reach 17 million, or 5½ per cent of the labour force.

Given the low capacity utilization and profitability the business sector is cautious about new investments and may persist in this attitude. This is another important problem in the world economy of today.

Finally, inflationary pressures and balance of payments disequilibria still differ substantially between various countries and affect the composition and the direction of trade flows. In the wake of this development protectionism is rising and is becoming more and more dangerous for the further course of the world economy.

The system of flexible exchange rates did not succeed in balancing the diverging economic aims of the particular countries as was originally hoped for. On the contrary, the resistance against economic adjustment is growing but without a well functioning adjustment process neither an increase in living standards nor a reduction of tensions can be expected.

In this generally unfavourable international climate, it is hardly surprising that the growth of Austria's domestic product, too, slackened noticeably last year–from 5.2 per cent in 1976 to around 3½ per cent. In particular, the increase in output of manufacturing industry was reduced from almost 9 per cent in the year before to just 3 per cent in 1977. Last year's slower growth occurred in spite of the fact that both private consumption and gross fixed investment were more expansive than the year before, the increase of the former accelerating from 4 to nearly 7 per cent and that of the latter from 5.7 to 8.2 per cent. A large, and indeed growing, part of this added demand, however, was directed abroad and the external imbalance to which that and a number of other (partly structural) factors gave rise emerged as the key problem facing the Austrian economy during the year.

A widening trade gap of $71 billion in 1977 and diminishing earnings from services (chiefly tourism) combined to enlarge the current account deficit from $26 billion recorded in 1976 to $49 billion last year.

On the other hand, Austria did rather well in maintaining virtually full employment and combating inflation. The labour market at the end of 1977 was still in a state of full employment. Inflation continued to moderate, assisted by the less rapid rise in world commodity prices as well as by economic measures at home. Compared with 7.3 per cent the year before, the average annual increase in consumer prices was only 5½ per cent with a falling tendency.

Austria's policy for restoring external equilibrium and in particular for reducing the size of its deficit on current account thus has two prongs–short term measures, and a systematic and intensified programme of industrial restructuring by stimulating investment aiming at innovation and further modernisation of Austria industry in the longer run. This should also make it possible by and large, in a manner consistent with market conditions, to adhere to a stable exchange rate policy as has been pursued for some time past.

Faced with the present world economic situation, Austria welcomes the progress reached within the Multilateral Trade Negotiations in the Tokyo Round and hopes that the unsolved problems, in particular the question of exceptions to tariff reductions, will come to a satisfactory solution.

The codes to be established by the Multilateral Trade Negotiations for the abolition of harmful effects of non-tariff measures will be also of great value because these are issues not yet covered by our Free Trade Agreements. That means that we can expect worldwide liberalizing effects even in relation to the trade between EFTA and EC.

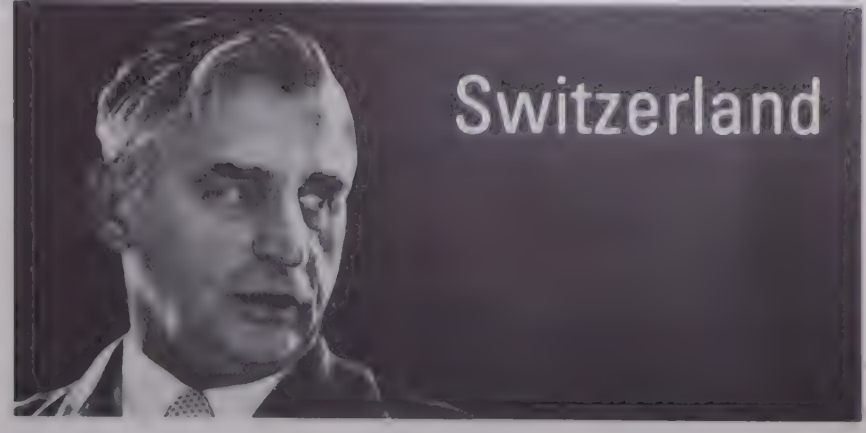
In the framework of the OECD the question of the renewal of the Trade Pledge will soon be discussed. From our point of view the Trade Pledge has been a very useful instrument to counteract protectionistic tendencies. We therefore advocate the prolongation of the pledge. Nevertheless, sectorial difficulties which have arisen should be taken into consideration.

Austria continues to attribute major importance to the North-South Dialogue. We see the newly industrializing developing countries rather as a future promising market than as a growing competitor.

Austria also welcomes the conclusion of international commodity agreements. The main objectives of such agreements should be the stabilization of market conditions with a view to achieving prices at a level equitable to consumers and remunerative to producers while paying due regard to the necessity for security of supply for the consumer countries.

Unfortunately the recession in world economy has also had a restrictive influence on East-West Trade. The Austrian Federal Government has therefore undertaken great efforts through increased contacts on governmental as well as on expert level, to give new impulses to this sector of Austrian foreign trade.

Fritz Honegger



Unshaken liberal import policy

The Swiss economy–after the difficult years of 1975/76–has developed more favourably in 1977 than one could have expected at the beginning of the year. A growth level of more than a real 4 per cent in comparison to 1976 has in fact been one of the best results among industrialized countries. Short-time working has practically disappeared whereas complete unemployment affects only 0.5 per cent of the active population, and inflation could be held at a minimum level. This strong recovery after the deep earlier recession has covered most fields : all elements of the GNP have–though to different degrees–contributed. Negative aspects are, however, not missing. The bad effects of the abrupt revaluations of the Swiss franc can for instance hardly be overestimated. Since last October the Swiss franc has experienced an unparalleled appreciation which has forced the Swiss authorities to reinforce their arrangements to prevent the influx of foreign funds. As a result of this appreciation there exists much uncertainty concerning economic development. The weaknesses of productive investment explains to a great extent, together with the increasing amount of capital revenue, the size of our current account surpluses during the last few years.

These surpluses are in no way the result of our balance of trade which shows a considerable deficit nor of other rising current revenues, the traditional surpluses of which have also been stabilized. On the contrary our imports increase as a result of both our unshaken liberal import policy and the advantage in competitiveness which our partners enjoy as a consequence of the development of the exchange rates. In a situation of full employment the economic take-off depends essentially upon the investment climate. This is just another way of pointing out how important the elimination of international monetary disturbances appears to us since they–together with the dangers of protectionism abroad–are the major cause for the resistance of business men to proceed to new productive investment. In these conditions the government, in its intention to favour economic development as much as possible, remains prepared on the one hand for the possibility of a reappearance of inflationary pressures and on the other hand for the necessity for an expansionist policy in the event of a new contraction of global demand. In this respect I should mention that my government envisages a special program for the stimulation of private investment by encouraging the introduction or development of sophisticated techniques. Such an action could play a catalyzing role in making private investment the principal engine for growth.

Relations with the EC

I would now like to say a few words on the relationship between EFTA countries and the Community, a relationship which remains particularly important under present economic conditions. It is nearly a year since we have found ourselves in one great free market for industrial products and though this has been a remarkable realization I think there is no suggestion that we should stop drawing closer at the present stage. I would like to take this opportunity to emphasise that additional liberalization, mainly in the sector of services (e.g. insurance, transport, Euronet), can and must round off the free exchange of goods. In addition the free trade market itself has to be completed geographically in the interest of the whole of Europe and, finally, we have to combine all our efforts in order to maintain the level of liberalization which we have reached. In order to come to an upswing in the economy it is very important to reassure our employees, managements and investors that their efforts are not going to be penalized either by administrative measures or by divergencies in economic policies.

Tokyo Round

The Tokyo Round negotiations at Geneva, encouraged by the principal participating countries, have now reached their decisive phase, the first objective being to work out the main lines of the final package deal before mid-July. After the finishing touches have been put it should then be possible to bring the negotiations to a conclusion before the end of the year.

We are therefore now engaged in the crucial period of the Tokyo Round, the success of which is essential in the present world-wide economic and financial situation. This success should in effect demonstrate to economic circles that our governments share the wish to maintain and improve a policy of liberal international commerce, and by doing so to contribute to re-establishing the climate of confidence necessary to improve the world economy.

We as a country are determined to participate in this collective effort, hoping not only to extend the liberalization of world trade by a substantial and balanced reduction in tariff and non-tariff obstacles, but also to improve those rules, commercial disciplines and mechanisms of international co-operation pertinent to all commercial nations of the world, especially the developing ones.

Developing countries

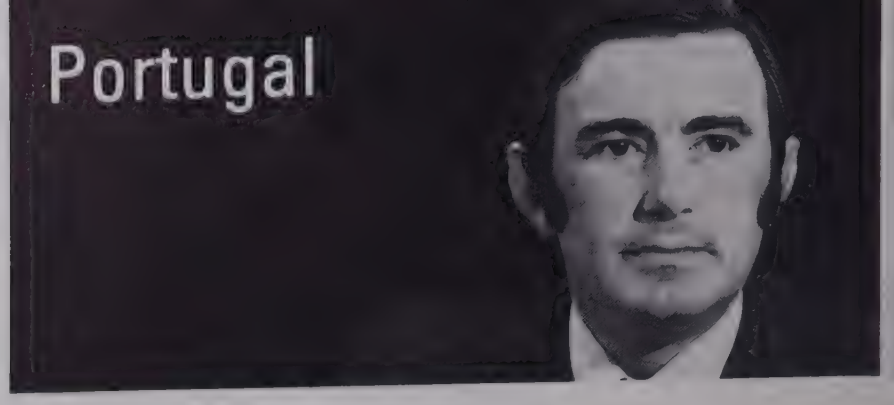
As far as relations with developing countries are concerned additional efforts are doubtlessly indispensable and have to be integrated in the framework of the world economy.

Economic interdependence and the fact that the developing countries form a dynamic element in the world economy should be an additional incentive to increasing our efforts towards co-operation. This co-operation among all countries

should end in a take-off of the world economy upon which the contribution of the industrialized to the developing countries ultimately depends. The same is true for our efforts to proceed without any major hindrances to the structural adjustments which have become necessary as a result of the progressive integration of the developing countries in the normal mechanism of world trade, and the inevitable increase in international competition. We are of the opinion that access to markets has to remain open and we hope that the most advanced of the developing countries will assume, gradually and within the limits of the possible, the responsibilities that derive from the rules of international trade in order to favour trade among developing countries themselves and in order to reduce the sometimes excessive obstacles set up against our exports.

As far as our economic relations with Eastern European countries are concerned we have pursued our efforts towards better exploitation of the commercial potential which is undoubtedly there. Nevertheless the development of trade between countries of different economic systems is still impeded as much by accumulated annual imbalances of exchange as by their structural disequilibrium. The resulting indebtedness has induced modifications of eastern economic policies which aim at slowing down their imports and which take recourse to the business of compensation. These difficulties can be overcome by dynamic approaches such as developing appropriate industrial co-operation in all its forms. The exchange of information on all these problems within the Economic Commission for Europe (ECE) plays a role which must be emphasized and supported.

In conclusion we have to recognize that prolonged recession, inflation, underemployment and the reappearance of protectionism have resulted in a general loss of confidence in economic and business circles. We therefore welcome the fact that in these last months initiatives at governmental and intergovernmental level have taken place in order to restore the confidence which has to be the basis for a non-inflationary economic growth. The Swiss government is prepared to contribute to these efforts. It expects in particular that the next Ministerial OECD Meeting and the following Summit conferences will create the basis for concerted action in as extensive a field as possible. ■



Basílio Horta

Stabilisation programme to reduce external deficit

Portugal's main economic problem remains her external deficit, that has continuously increased since 1974. Last year the current account deficit reached the amount of about 1.5 billion dollars. This deficit is mainly due to the trade deficit, while services plus private transfers show a surplus of about one billion dollars. The trade deficit was due to slow growth of exports in the first half of the year and to the unbalanced structure of the Portuguese productive apparatus. Imports rose as a consequence of the high growth of GDP, about 6 per cent in real terms, with industrial output rising at a rate of 9 per cent in volume last year. This growth–which may be considered as a good performance when compared with other European countries–prevented a further deterioration of unemployment, which is also a major problem of our economy. Special attention has been given to this issue because of the increase in the labour supply as a consequence of decolonisation and the virtual stoppage of emigration flow.

Inflation continues to be a source of serious concern to us; during 1977 the consumer price index showed an increase of some 27 per cent, though the rate of increase was erratic during the year. Figures for this year indicate that inflation is being kept under control, though at high levels.

It is generally recognised that Portugal needs a short term stabilization policy with a view to reduce imbalances and re-establish a sound financial basis for the economic system to operate. The Portuguese Government adopted for the current year a new budget and a new macroeconomic framework and policy that have been in force since the end of April. The negotiations with the IMF, interrupted in November, were also resumed in March and concluded with an agreement.

The stabilization programme for 1978 includes a set of measures aiming at reducing the current account deficit by about one third of the level registered in 1977. The budget is more restrictive than last year, through an increase of the tax rates and a containment of expenditure. Credit policy will be one of the main instruments to contain the expansion of demand, especially the growth of investment in stocks and the capital formation in activities with a high import content. This policy will imply a temporary deceleration of growth–it is expected that domestic demand may grow very slowly, exports being the main stimulus for the industrial expansion, so that the GDP may grow at about 3 per cent. This evolution, if it is confirmed, will produce a current account deficit that can be financed without reducing further the gold reserves. The reduction in the deficit of the current account to about one third is closely linked to a fall in the volume of imports during the current year (about 5 per cent).

the reduction of the rate of economic growth together with a selective investment policy that may imply the postponement of projects which are less favourable for the balance of payments and a careful programming of the supply of foodstuffs and fuels. At the same time the policy of the Portuguese Government is to gradually replace the restrictive measures on imports by internal measures to which I have just referred. Thus, besides the abolition of the import deposit scheme at the end of last year, it is foreseen that the 30 per cent import surcharge will be reduced to 20 per cent on 1st October this year, and to 10 per cent on 1st April 1979, with a view to its complete elimination on 1st October 1979. The 60 per cent import surcharge, covering only 2 per cent of total imports, will be maintained temporarily, but the Government intends to study alternative domestic tax measures with a view to phasing it out beginning in 1979. Concerning the import quota system, it will be in force in principle until the end of March 1979, but an increase of quotas was introduced to take into account the wishes expressed by some of our trade partners.

With regard to exports, the 6.5 per cent anticipated increase in volume is still unsatisfactory but it will undoubtedly be a significant effort in view of the unfavourable conditions of the international markets and of the maintenance of the restrictive measures applied by several countries affecting some of our most important export sectors.

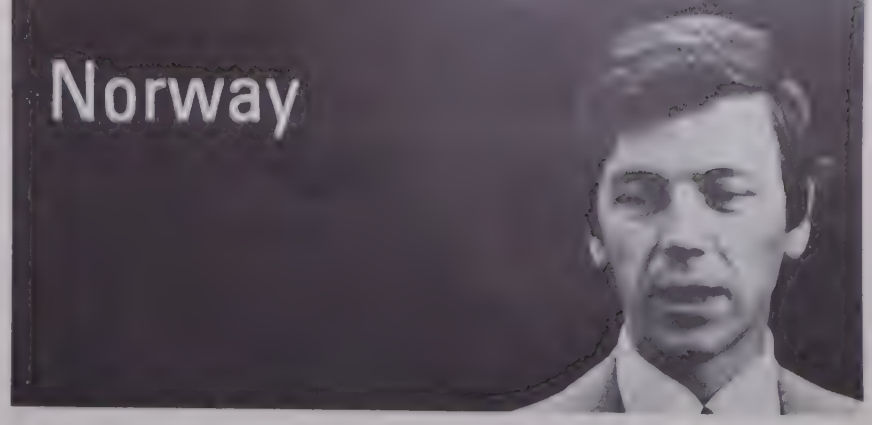
Although we are optimistic about the possibilities of an amelioration of our main economic difficulties we are conscious of their structural nature and that they only can be reduced or removed in the medium term, according to the main guidelines of a medium term plan which will be presented to Parliament during the current year. In any case, the success of our internal efforts much depends on the improvement of the international economic situation.

Relations with the EC

Turning now to our application for membership of the European Communities, I would like first of all to underline the friendly and close way in which our contacts with the Communities have evolved.

With the conclusion by the Commission, on 19th May, of its opinion on the Portuguese application, an important and decisive milestone has been attained in our accession procedures. We are confident that in its next meeting on 6th June in Luxembourg the Council will take note of the opinion of the Commission on the Portuguese application for accession, will confirm its positive approach to that application and will take the necessary steps to speed up the preparatory work for the establishment of a common basis for negotiation, the formal opening of which may be foreseen for next autumn.

If all goes accordingly, we should consider that the important questions of timing and of substance involved would have been dealt with favourably. Firstly because the political momentum would have been kept, since the formal opening of the negotiations would take place within a short and reasonable delay after the presentation of the opinion and independently of the evolution of other applications, as well as with due respect for the principle of the appreciation of each candidature on its own merits. Secondly, because we hope that in the elaboration of the so-called mandate for the negotiations and the basic guidelines under which they will be engaged, some important principles included in the «fresco» and subsequently confirmed in a more specific way in the opinion may be taken into consideration. I have in mind, on the one hand, the generally positive approach to our application and, on the other, what I would call the philosophy of the "common actions" to be set in motion even before the accession. I am also thinking of the co-operation to be developed between Portugal and the Community in order that, so far as possible and without endangering our vital interests, the conciliation of our basic economic choices at medium term with those of the Community be achieved, in accordance with the unavoidable trend of the international division of labour in Europe and at world level. ■



Hallvard Bakke

Support for European tripartite conference

The Norwegian Government has, over the past six months, resorted to several restrictive policy measures. The reason for this has been a higher deficit in the balance of payments than earlier expected, due to lower exports than predicted, while at the same time high imports have been kept up due to our countercyclical policy for keeping full employment.

The revised national budget for 1978, which was presented in April, anticipates a rise in the GNP for 1978 at 4.2 per cent. If we exclude shipping and oil activities the rise is expected to fall to 1.2 per cent. A fall in industrial production to 2.5 per cent compared to last year is foreseen. The volume of private consumption is expected to rise by 2 per cent.

Estimates for export performance are considerably reduced as compared to the national budget presented in October. A loss of 6 per cent in export market shares is expected in the volume of our traditional exports. The deficit on the current account is now estimated at 20.8 billion kroner, compared to 16 billion kroner earlier.

The Government will gradually put into force measures aiming at improving the competitiveness of Norwegian industries in general, and thus give less attention to short term problems of special firms or branches of the economy.

Finally I would like to recall that at the special meeting of the Consultative Committee in Stockholm in February last year, there was a general consensus, and here I quote the communiqué, "that priority must be given to the objective of achieving a lasting return to full employment and at the same time of obtaining sustained growth and economic stability as basic conditions for achieving a satisfactory level of employment".

The Vienna Summit meeting in May last year confirmed that the EFTA governments adhered to these conclusions.

At the meeting of the Consultative Committee in November last year the trade union group of the committee supported the ETUC proposal that a West European conference on economic policies, full employment, prices and financial stability be held with the participation of governments, trade unions, employers and industrial associations.

I have the impression that the idea of such a conference is gaining ground in the European countries, and receiving support. I would therefore refer to the statement made by the Norwegian Minister of Foreign Affairs, Mr. Frydenlund, at the last meeting of the Council of Europe, and use this opportunity to confirm that, if it would facilitate a realization of a tripartite conference, the Norwegian government would be glad to host such a conference.

I would like to conclude by urging my colleagues around this table to support the proposal for such a conference. ■

Paavo Väyrynen

Growth requires increase in exports

We are all in the unenviable position of having to recognize that the economic situation in Western Europe is improving at a very slow pace. Finland, with her outward-looking economy and heavy dependence on foreign trade, views this development with great concern indeed.

In fact, the economic problems that Finland is now facing are similar to those experienced in many other market economy countries. The growth of production is insignificant, unemployment has risen to record heights and inflation, although reduced, is by no means under control. The private sector is in the midst of serious problems of financing and profitability. This economic gloom, which spread to Finland somewhat later than to many other Western European countries, is now in its fourth year.

However, I am pleased to state that in 1976 and 1977 Finland's current account continued to improve. This is essentially a result of a continued policy of strict demand management, which was aimed at restoring external balance and checking inflation. Even in this respect the situation is precarious, however, and in actual fact the improved current account largely reflects the low rate of investments due to the general economic recession. We must also not forget that part of the price for this ray of hope in the unsatisfactory overall picture has been a dramatic aggravation in the employment situation.

In spite of various measures that the Government has taken, no significant growth in production can be expected in the current year. Private investment has been falling, due as much to uncertain prospects for demand and profitability as to the low degree of capacity utilization and the increased indebtedness of industry. Private consumption is expected to increase only marginally. In spite of some hopeful signs in regard to forest industry products, the total export volume is likely to rise only a few per cent. To add to this list of problems, unemployment has increased to an unprecendentedly high level, approximately eight per cent of the labour force. I am sure that you will agree with me that unemployment of these proportions cannot be sustained in the longer run without grave social consequences.

Future economic growth in Finland depends to a great extent on the expansion of exports. Demand in our major customer countries is unfortunately expected to remain sluggish. Since domestic demand alone cannot be sufficiently expanded to sustain growth and reduce unemployment, the room for manoeuvre for the Finnish Government is very limited, especially in view of the increased budget deficit, which has to be financed through increasing borrowing from abroad.

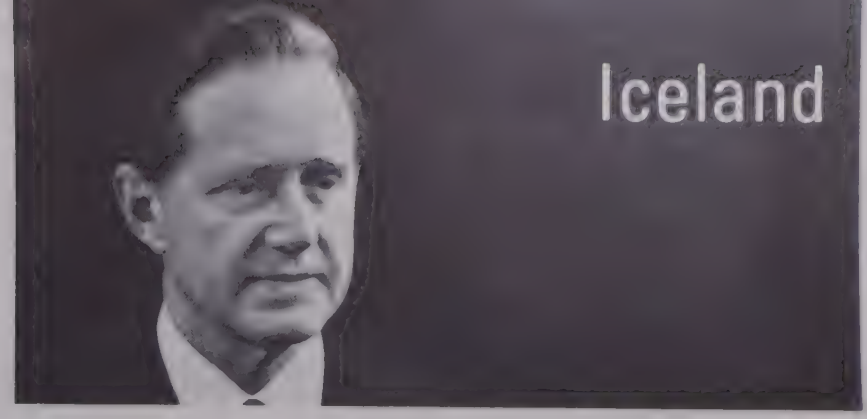
Turning now briefly to the international scene it seems increasingly evident that the international economy will not get adequately revitalized if the current policies and practices remain as they are. Growth rates will fall short of expectations and this in turn will slow down economic activity, resulting in an aggravation of the difficulties in the national economies.

Against these gloomy prospects it is, indeed, encouraging to note that efforts are being made in the European context to boost the economies with immediate favourable multiplier effects among trading partners. It goes without saying that this trend needs to be encouraged, since it is only on the basis of resumed economic growth that we can pursue a liberal trade policy, adjust ourselves to improved access to our markets and, consequently, effectively oppose the mounting calls for protection against competition from abroad.

We have seen that at a time when the world economy witnessed the emergence of new competitive factors in international trade, there have been instances in which governments have felt compelled to intervene in the market in order to prevent politically, economically and socially unacceptable situations from arising on the domestic scene. It should, however, be a generally accepted objective that such government interferences in the free flow of trade be kept at an absolute minimum and be directed exclusively against imports that actually cause or threaten to cause injury.

In Europe we have achieved a free trade area comprising sixteen nations. Our respective free trade agreements with the European Communities are functioning satisfactorily and it should be our common objective to secure continuity in this respect. We should not take the continuation of the current state of affairs for granted. The free trade arrangements need constant care, if they are to be effectively protected against erosion. The extent to which Europe is able to be outward-looking in the global context depends to a decisive extent on the economic stability within Europe. That stability, in its turn, depends directly on an undisturbed continuation of free trade arrangements concluded in Europe. We all have a responsibility towards the rest of the world, but we have meagre chances to live up to that responsibility if we fail in our commitments among ourselves. ■

Thorhallur Ásgeirsson



Prosperity depends on foreign trade

Iceland's economy suffered perhaps a more serious temporary setback through the oil crisis and the subsequent world economic recession than the economy of most other western countries. The difficulties created by the oil crisis were aggravated by lower catches in the major sectors of the fisheries and a simultaneous downward trend in the world prices of fishery products.

An improvement in export prices led to a substantial recovery in 1976, and during 1977 increased fish catches, and particularly a continued rise in the prices for fish products, have provided the basis for an improvement in terms of trade and a considerable increase in export income and domestic production. This, in turn, has enabled us to continue to maintain full employment, at a time when the recession in neighbouring countries has lingered on. In 1977 the GNP increased by nearly 5 per cent, while the GNI increased more or by nearly 8 per cent on account of improved terms of trade mostly in the beginning of the year. This positive development has, however, been accompanied by a strong pressure on the labour market and a continued high inflation, which continues to be our major economic problem.

We are, however, well aware that as our own prosperity depends on our foreign trade, we are naturally very concerned about the economic developments in our main market countries. In this connection I want to mention particularly the interest that we, and I am sure all EFTA members, have in the development of Portugal and the hope that we share for the successful implementation of the new extensive stabilization programme which Portugal has embarked upon after the great political, economic and social upheaval since 1974. For my country the solution of the balance of payments problems of Portugal is of vital importance, as otherwise one of our biggest and best markets is in danger. This can best be illustrated by mentioning that our exports to Portugal alone in 1974-1976 were higher than our total exports to all other EFTA countries together. It is out of self interest, coupled with our great sympathy for Portugal as a democratic ally and partner in EFTA, that we have done everything in our power to increase our purchases of Portugese products and services. These efforts are showing remarkably good results but they are still far from bridging the payments gap. However, we are hopeful that they will be considered adequate for Portugal to maintain its traditional imports of our bacalao (salted and dried cod).

This year is evidently a very critical year for Portugal and we hope that it will overcome its economic crisis. However, great external assistance is needed. EFTA has already proven its willingness to assist Portugal by establishing the Industrialization Fund for Portugal, which was beyond the scope of its normal activities. Many of the member countries, particularly Norway and Sweden, have also had a very active aid and cooperation programme with Portugal. Nevertheless, we are convinced that more could and should be done in each and every one of our countries, both by authorities and private firms and organizations, to buy more from Portugal and assist it in its industrial development. By strengthening the Portugese economy we are also strengthening democracy in Portugal, both of which are of great importance to us.

Turning now to the general economic situation, there seems to be a general agreement about at least one thing, that no small country can redress its economy by acting alone. With our expanding free trade, our economies have become increasingly inter-dependent so that concerted action is needed to stimulate a general economic upswing. We have seen how much our economies have benefitted from free trade and we do not want to lose the advantages that have already been gained. We therefore agree that we must defend and consolidate our free trade system and do our utmost to withstand protectionist pressures. EFTA provides us with a suitable and convenient framework for consultations and cooperation in seeking common solutions. ■

Economic indicators from the EFTA countries

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

Austria

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1971 = 100	January 1978	112.8	−12.3	− 1.4
Building and construction	Monthly production value	mill. Sch.	January 1978	3,367.3	−34.8	+18.5
Retail trade	Volume index of retail sales	1973 = 100	January 1978	90.9	−49.8	− 2.9
Labour	Employment index (a)	1956 = 100	January 1978	129.1	− 0.2	+ 3.8
	Unemployment	thousands	February 1978	90.9	− 0.6	+13.2
	Unemployment rate	percent of labour force	February 1978	3.2	3.3 (b)	2.9 (c)
Prices	Index of consumer prices	1976 = 100	February 1978	108.1	+ 0.5	+ 3.8
	Index of wholesale prices	1976 = 100	March 1978	104.7	+ 0.4	+ 1.2
Wages	Index of wage earnings	1966 = 100	March 1978	310.8	+ 0.5	+ 5.7
Foreign trade	Imports – value	mill. Sch.	March 1978	19,561.1	+15.3	− 4.6
	Imports – unit price index	1971 = 100	February 1978	137	− 0.7	− 1.4
	Exports – value	mill. Sch.	March 1978	15,503.7	+15.8	+ 0.5
	Exports – unit price index	1971 = 100	February 1978	131	− 0.8	− 0.8
Exchange rate		Schillings per dollar	31 May 1978	15.11	14.8825 (b)	16.785 (c)

Finland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1970 = 100	March 1978	132	+ 5.6	+ 6.5
Building and construction	Buildings completed	mill. cub. met.	4th Qt 1977	14.01	+28.3	+ 6.5
Retail trade	Volume of cooperative retailing (a)	1972 = 100	December 1977	102	− 7.3	−12.8
Labour	Employment	thousands	February 1978	2,001	− 0.3	− 1.5
	Unemployment	thousands	May 1978	166.6	−10.2	+34.7
	Unemployment rate	percent of labour force	May 1978	7.6	8.5 (b)	5.6 (c)
Prices	Index of consumer prices	1972 = 100	April 1978	208.1	+ 0.4	+ 8.6
	Index of wholesale prices	1949 = 100	April 1978	717	+ 0.1	+ 4.5
Wages	Index of wages and salaries	1964 = 100	4th Qt 1977	442	+ 0.2	+ 8.9
Foreign trade	Imports – value	mill. markkaa	April 1978	2,422	− 5.0	+11.7
	Imports – unit price index	1975 = 100	4th Qt 1977	131	+ 0.8	+16.9
	Exports – value	mill. markkaa	April 1978	2,894	+ 5.2	+38.9
	Exports – unit price index	1975 = 100	4th Qt 1977	125	+ 2.5	+15.7
Exchange rate		Markkaa per dollar	31 May 1978	4.3200	4.2420 (b)	4.0790 (c)

Iceland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Fish catch	Volume	thousand tons	March 1978	258.3	+ 11.8	+ 2.5
Production for exports	Value	mill. Kr.	December 1977	9,021.0	+ 8.2	+109.0
Labour	Unemployment	number	March 1978	468	− 8.5	+ 33.3
	Unemployment rate	percent of labour force	March 1978	0.5	0.5 (b)	0.4 (c)
Prices	Index of consumer prices	1/1/1968 = 100	1st February 1978	1,060	+ 12.2	+ 37.5
Wages	Index of hourly wages	1969 = 100	1st March 1978	1,061	+ 15.0	+ 63.0
Foreign trade	Imports – value	mill. Kr.	April 1978	12,565.3	− 8.7	+ 53.4
	Exports – value	mill. Kr.	April 1978	12,649.7	+ 28.6	+ 57.3
Exchange rate		Kronur per dollar	31 May 1978	259.80	254.70 (b)	192.30 (c)

Norway

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (a)	1970 = 100	March 1978	113	0	− 6.6
Building and construction	Buildings completed	Thousand sq. meters	February 1978	2,648	− 1.1	+ 6.6
Retail trade	Index of retail sales (a)	1975=100	March 1978	127	− 4.5	− 0.8
Labour	Unemployment	Thousands	March 1978	18.8	−11.7	+ 5.6
	Unemployment rate	percent of labour force	March 1978	1.1	1.2 (b)	1.0 (c)
Prices	Index of consumer prices	1974 = 100	April 1978	141.9	+ 0.4	+ 8.2
	Index of wholesale prices	1977 = 100	April 1978	103	+ 1.0	+ 4.0
Wages	Index of hourly earnings (male workers)	1974 = 100	4th Qt. 1977	160	+ 2.6	+ 8.8
Foreign trade	Imports – value (e)	mill. Kr.	April 1978	5,220	+11.6	+15.4
	Imports – unit price index	1970 = 100	4th Qt. 1977	180	+ 2.9	+ 9.8
	Exports – value (e)	mill. Kr.	April 1978	3,378	− 6.7	+16.2
	Exports – unit price index	1970 = 100	4th Qt. 1977	179	+ 3.5	+ 5.9
Exchange rate		Kroner per dollar	31 May 1978	5.4910	5.4250 (b)	5.2630 (c)

Portugal

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (f)	1970 = 100	January 1978	164.5	+ 3.4	+11.8
Building and construction	Building permits issued	number	4th Qt. 1977	15,444	−19.1	+17.8
Labour	Employment	1968 = 100	4th Qt. 1977	103.9	− 2.5	− 1.6
Prices	Index of consumer prices in Lisbon (housing excluded)	1976 = 100	April 1978	150.6	+ 5.7	+17.9
	Index of wholesale prices (Lisbon area)	1963 = 100	February 1978	384	− 0.8	+24.3
Wages	Index of wages in agriculture (men)	1968 = 100	January 1978	395.0	− 3.0	+14.5
	Index of wages in industry and transportation (Lisbon area)	1968 = 100	4th Qt. 1977	346.5	+ 1.3	+13.7
Foreign trade	Imports – value	mill. Escudos	March 1978	17,361	+ 8.5	+42.4
	Exports – value	mill. Escudos	March 1978	7,399	− 1.4	+36.2
Exchange rate		Escudos per dollar	2 June 1978	45.531	42.074 (b)	38.729 (c)

Sweden

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1968 = 100	March 1978	126	0	− 4.6
Building and construction	Dwellings completed	thousands	January 1978	4.1	−16.3	− 8.9
Retail trade	Index of retail sales	May 1970 = 100	December 1977	290	+36.8	+ 9.4
Labour	Employment	thousands	April 1978	4,090	+ 0.7	+ 0.8
	Registered unemployment	thousands	April 1978	89	− 7.3	+34.8
	Unemployment rate	percent of labour force	April 1978	2.1	2.3 (b)	1.6 (c)
Prices	Index of consumer prices	1949 = 100	April 1978	465	+ 0.6	+12.3
	Index of producer prices	1968 = 100	March 1978	219	+ 0.3	+ 6.8
Wages	Index of direct wages in mining, quarrying and manufacturing	1947 = 100	November 1977	1,461.1	+ 5.0	+ 8.8
Foreign trade	Imports – value	mill. Kr.	April 1978	7,300	− 2.7	+ 2.7
	Imports – price index	1959 = 100	4th Qt. 1977	284	+ 6.0	+19.8
	Exports – value	mill. Kr.	April 1978	8,500	+ 4.9	+26.7
	Exports – price index	1959 = 100	4th Qt. 1977	268	+ 1.9	+ 8.0
Exchange rate		Kronor per dollar	31 May 1978	4.6925	4.6700 (b)	4.3735 (c)

Switzerland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1963 = 100	4th Qt. 1977	156	+ 7.5	+ 2.6
Building and construction	Dwellings built	number	April 1978	1,230	− 22.3	+16.8
Retail trade	Index of retail sales	1949 = 100	March 1978	510.8	+ 17.5	+ 9.4
Labour	Employment index	3rd Qt. 1966=100	4th Qt. 1977	90.3	− 1.2	+ 0.7
	Unemployment	number	April 1978	10,117	− 9.5	−26.6
	Unemployment rate	percent of labour force	April 1978	0.4	0.4 (b)	0.5 (c)
Prices	Index of consumer prices	Sept. 1977=100	April 1978	100.7	+ 0.2	+ 1.4
	Index of wholesale prices	1963 = 100	April 1978	143.8	− 0.1	− 3.7
Wages	Hourly earnings of workers	S.Fr.	4th Qt. 1977	11.17	+ 0.4	+ 2.1
	Monthly earnings	S.Fr.	4th Qt. 1977	2,596	+ 0.5	+ 1.7
Foreign trade	Imports – value	mill. Fr.	April 1978	3,572.2	− 7.5	+ 3.2
	Imports – unit price index	1970 = 100	April 1978	117.2	+ 0.9	−13.7
	Exports – value	mill. Fr.	April 1978	3,453.5	− 2.4	+ 5.0
	Exports – unit price index	1970 = 100	April 1978	130.2	+ 1.9	− 4.5
Exchange rate		Francs per dollar	5 June 1978	1.880	1.945 (b)	2.5043 (c)

Population of the EFTA countries: Stabilisation in sight?

Forecasting population is a bit like predicting the weather–necessary but risky. Both occupations derive their hazards from the fact that the forecaster has no control over the elements involved and can therefore be far off the mark. The main difference is that the weatherman's errors can be thrown at him. The demographer may not even be around any more when his predictions are finally found wanting. But his work is nevertheless of vital importance for all sorts of forward planning. How many children will there be? The answer to that is basic data for all sorts of industries as well as for all governments. In Britain today there are too many teachers, who qualify at too many teachers' colleges, too many beds and facilities in maternity wards, too few arrangements for the senior citizens. The latest Annual Report of the Bundesbank, the central bank of Germany, suggests that the lower rate of population growth is a profound structural change which has been ignored by economic forecasters who make their predictions on the basis of past performance. As a result, Germany should no longer expect the same economic growth rates as in the sixties–about 5% a year–but from now on must be content with a slower rate of growth. And a halving of the economic growth rate has repercussions across the board, cutting into all the expectations which have become built into modern societies.

Nowadays there are all sorts of organizations which have a finger in the pie of population measurement, past and future, and whose figures are studied intently for indications of reliable trends. The United Nations has its Demographic Yearbook. The Economic Commission for Europe publishes Population Studies. The Organisation for Economic Cooperation and Development (OECD) puts out regular Labour Force Statistics and this is backed up by the work of the OECD Manpower and Social Affairs Committee, which is also in the projections business. On top of that, of course, is the work of all the national agencies which regard a regular and thorough census as one of the most essential social tools of modern political economy.

What can be said as of now regarding the populations of the EFTA countries? One broad generalization is beyond refutation, that the present period is one of slower growth, and this trend is likely to continue to prevail for several years. Consider the facts. Between 1970 and 1975, the total populations of the EFTA countries increased by 1,600,000 to 40.7 million. That was an annual growth rate of 0.8%. (But beware of these global averages! In fact, Portugal was the main contributor to this result, with a growth rate of 2.1% and, since Portugal is one of the most populous countries in EFTA, this had a preponderant effect on the overall rate. The other EFTA countries, with more developed economies, had

Table 1 Total population in EFTA countries and annual average growth rates (in thousands and percentages)

	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	Total EFTA
1960	7,048	4,446	176	3,591	8,889	7,495	5,429	37,074
1965	7,255	4,612	192	3,723	9,234	7,766	5,853	38,635
1970	7,391	4,598	205	3,888	8,670	8,077	6,270	39,099
1975	7,539	4,713	218	4,012	9,633	8,208	6,376	40,699
1980	7,628	4,808	236	4,054	10,075	8,292	6,407	41,500
1985	7,733	4,884	258	4,093	10,495	8,333	6,477	42,213
Average annual growth rates								
1960-1975	0.5	0.4	1.4	0.8	0.5	0.6	1.1	0.6
1965-1975	0.4	0.2	1.3	0.8	0.4	0.6	0.9	0.5
1970-1975	0.4	0.6	1.2	0.6	2.1	0.4	0.4	0.8
1975-1980	0.2	0.4	1.6	0.2	1.0	0.2	0	0.4
1975-1985	0.3	0.4	1.7	0.2	0.9	0.2	0.2	0.4

Source: UN Demographic Yearbook, OECD Labour Force Statistics, OECD Manpower and Social Affairs Committee, ECE Population Study

Table 2 Austria – Population by age and sex (age in years. population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	3,282	794	2,155	333	46.6	51.1	46.5	38.6
	Female	3,765	760	2,477	529	53.4	48.9	53.5	61.4
	Total	7,048	1,554	4,632	862	100.0	100.0	100.0	100.0
1970	Male	3,467	923	2,147	397	46.9	51.0	47.4	37.8
	Female	3,924	886	2,386	652	53.1	49.0	52.6	62.2
	Total	7,391	1,809	4,533	1,049	100.0	100.0	100.0	100.0
1975	Male	3,561	910	2,219	433	47.2	51.1	48.0	38.0
	Female	3,978	872	2,400	706	52.8	48.9	52.0	62.0
	Total	7,539	1,782	4,619	1,139	100.0	100.0	100.0	100.0
1985	Male	3,702	835	2,479	388	47.9	50.9	49.3	36.5
	Female	4,031	805	2,550	676	52.1	49.1	50.7	63.5
	Total	7,733	1,640	5,029	1,064	100.0	100.0	100.0	100.0

Source: 1960 and 1970: OECD: Labour Force Statistics.
1965 UN Demographic Yearbook.
1975-1985: ECE Population Study.

Table 3 Finland – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	5-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	2,142	683	1,337	122	48.2	51.0	48.1	37.3
	Female	2,304	656	1,442	205	51.8	49.0	51.9	62.7
	Total	4,446	1,339	2,780	327	100.0	100.0	100.0	100.0
1970	Male	2,220	571	1,490	159	48.3	51.0	48.8	37.1
	Female	2,378	548	1,562	269	51.7	49.0	51.2	62.9
	Total	4,598	1,119	3,052	428	100.0	100.0	100.0	100.0
1975	Male	2,279	525	1,566	188	48.4	51.1	49.3	37.0
	Female	2,434	503	1,611	320	51.6	48.9	50.7	63.0
	Total	4,713	1,028	3,177	508	100.0	100.0	100.0	100.0
1985	Male	2,363	502	1,656	205	48.4	51.1	49.7	36.0
	Female	2,521	480	1,676	365	51.6	48.9	50.3	64.0
	Total	4,884	982	3,332	570	100.0	100.0	100.0	100.0

Source: 1960-1970: UN Demographic Yearbook
1975-1985: ECE Population Study

much more modest increases, as will later be seen.) And in any case, this 70/75 rate of increase was a sort of freak result, since the 60/75 figure was 0.6% a year and the 65/75 result was only 0.5%.

Table I contains not only the record of the recent past, but also the demographers' projections for the next seven years. The overall rate of growth which is foreseen is put at 0.4%, which is the lowest in recent times. The reduction forecast is not very large for Austria, Finland or Portugal, but it marks a sharp decline in population growth for the two richest economies, Sweden and Switzerland. In the case of the latter country, a special situation exists. Since 1974, as a result of economic depression, more than 200,000 people have left Switzerland, most of them foreign workers who were no longer offered employment. It is possible that this group played a part in the rather high Swiss growth rate from 1965 to 1975 and that the residual 0.2% forecast from now to 1985 represents the likely potential of the Swiss nationals. If this is the case, the similarity with Sweden, with its almost identical level of economic development, is striking. But it is altogether too facile to conclude that there is a firm adverse ratio between economic development and population growth. The most that is clear is that a relationship exists.

It must be noted also that Portugal is a special case, the return of the colonial populations to the motherland having added about a million people to the population over the past two or three years. This development came late in relation to the establishment of the statistics quoted in this article and may falsify the conclusions. In fact, it might be more realistic to put Portugal's likely population growth at a higher level than the 0.9% forecast between 1975 and 1985. Finally, speaking of special cases, it has to be remembered that the high rate of increase foreseen for Iceland (1.7%) is not statistically significant in the picture of EFTA as a whole, since the total population of Iceland (220,000 or so) is less than that of many cities in the other EFTA countries.

Supporting the Senior Citizens

Another and quite different task of the demographers is to predict the age distribution of the population. Modern medicine has greatly increased life expectation in all countries, with the consequence that the proportion of the population aged between 65 and 90 years of age has risen–and is still rising. Moreover, this age group is now accustomed to receive transfer payments from the other age-groups of the population at a high level which is also still on the uptrend.

In this respect, the statistics for the EFTA countries are fairly reassuring. Only in Sweden is the share of the population of working age (15 to 64) likely to decline further from here to 1985

Table 4 Iceland – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	89	32	51	6	50.6	51.6	51.0	42.9
	Female	87	30	49	8	49.4	48.4	49.0	57.1
	Total	176	62	100	14	100.0	100.0	100.0	100.0
1970	Male	104	34	61	9	50.7	51.5	50.8	47.4
	Female	101	32	59	10	49.3	48.5	49.2	52.6
	Total	205	66	120	19	100.0	100.0	100.0	100.0
1975	Male	110	34	67	9	50.5	51.5	50.8	45.0
	Female	108	32	65	11	49.5	48.5	49.2	55.0
	Total	218	66	132	20	100.0	100.0	100.0	100.0
1985	Male	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Female	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total	258	78	157	23	n.a.	n.a.	n.a.	n.a.

Source: 1975 OECD; 1960-1970: UN Demographic Yearbook
1980-1985, OECD, Manpower and Social Affairs Committee

Table 5 Norway – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	1,789	476	1,133	180	49.8	51.3	50.0	45.1
	Female	1,802	452	1,130	219	50.2	48.7	50.0	54.9
	Total	3,591	928	2,264	399	100.0	100.0	100.0	100.0
1970	Male	1,934	487	1,228	219	49.7	51.3	50.4	43.5
	Female	1,954	463	1,207	285	50.3	48.7	49.6	56.5
	Total	3,888	950	2,435	504	100.0	100.0	100.0	100.0
1975	Male	1,992	518	1,217	257	49.7	51.3	50.6	43.2
	Female	2,020	492	1,190	338	50.3	48.7	49.4	56.8
	Total	4,012	1,010	2,407	595	100.0	100.0	100.0	100.0
1985	Male	2,028	455	1,282	291	49.5	51.3	50.7	42.9
	Female	2,065	432	1,246	387	50.5	48.7	49.3	57.1
	Total	4,093	887	2,528	678	100.0	100.0	100.0	100.0

Source: 1960-1970: UN Demographic Yearbook
1975-1985: ECE Population Study

Table 6 Portugal – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	4,254	1,319	2,654	280	47.9	50.9	47.5	39.5
	Female	4,635	1,273	2,934	428	52.1	49.1	52.5	60.4
	Total	8,889	2,592	5,589	709	100.0	100.0	100.0	100.0
1970	Male	4,113	1,251	2,528	334	47.4	50.7	47.1	39.9
	Female	4,557	1,217	2,837	503	52.6	49.3	52.9	60.1
	Total	8,670	2,468	5,365	837	100.0	100.0	100.0	100.0
1975	Male	4,557	1,379	2,803	375	47.3	51.2	46.8	39.4
	Female	5,076	1,312	3,188	576	52.7	48.8	53.2	60.6
	Total	9,633	2,691	5,991	951	100.0	100.0	100.0	100.0
1985	Male	4,998	1,381	3,194	423	47.6	51.1	47.5	39.7
	Female	5,497	1,323	3,532	642	52.4	48.9	52.5	60.3
	Total	10,495	2,704	6,726	1,065	100.0	100.0	100.0	100.0

Source: UN Demographic Yearbook
OECD: Labour Force Statistics (1970)
1975-1985 ECE Population Study

and to register an almost zero rate of growth. In Austria and Portugal, as a consequence of earlier high birthrates, the increase in the working population will be higher than before. Austria's workforce is to rise from 61.3% of the population in 1975 to 65% in 1985 and that of Portugal from 62.2% to 64.1%. Smaller increases are foreseen for Iceland, Finland, Norway and Switzerland. In the case of the two last-named, this will be a change of trend, since the working population had decreased its share of the total in the years 1960 to 1975.

One final remark about Tables II to VIII, which give population developments by age and sex in each of the EFTA countries. Although the Pied Piper of Hamelin will not be doing his fell work, there will nonetheless be a decline in the proportion of children in all the EFTA countries except Iceland between now and 1985, and even there there will be no increase.

Table IX shows recent and forecast changes in the occupational structure of the labour forces of the EFTA countries. How few "peasants" there will be ! And how many insurance salesmen (pardon, salespersons) and travel agents ! Lesson : put your child into Services...

Table 7 Sweden – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	3,739	847	2,482	410	49.9	51.4	50.2	45.7
	Female	3,756	802	2,467	487	50.1	48.6	49.8	54.3
	Total	7,495	1,649	4,949	897	100.0	100.0	100.0	100.0
1970	Male	4,034	864	2,676	494	49.9	51.4	50.6	44.5
	Female	4,043	818	2,610	615	50.1	48.6	49.4	55.5
	Total	8,077	1,682	5,286	1,109	100.0	100.0	100.0	100.0
1975	Male	4,081	871	2,660	550	49.7	51.3	50.6	44.0
	Female	4,127	827	2,599	701	50.3	48.7	49.4	56.0
	Total	8,208	1,698	5,259	1,251	100.0	100.0	100.0	100.0
1985	Male	4,122	830	2,679	613	49.5	51.2	50.6	43.1
	Female	4,211	790	2,613	808	50.5	48.8	49.4	56.9
	Total	8,333	1,620	5,292	1,421	100.0	100.0	100.0	100.0

Source: 1960-1970: UN Demographic Yearbook
1975-1985: ECE Population Study

Table 8 Switzerland – Population by age and sex (age in years, population in thousands)

Years		All ages	Under 15	15-64	65+	Percentages of males and females			
						All ages	Under 15	15-64	65+
1960	Male	2,663	651	1,782	230	49.1	51.1	49.5	41.5
	Female	2,766	624	1,818	324	50.9	48.9	50.5	58.5
	Total	5,429	1,275	3,600	554	100.0	100.0	100.0	100.0
1970	Male	3,089	750	2,050	290	49.3	51.1	50.1	40.6
	Female	3,181	717	2,039	424	50.7	48.9	49.9	59.4
	Total	6,270	1,467	4,089	714	100.0	100.0	100.0	100.0
1975	Male	3,112	737	2,057	318	48.8	51.2	49.6	40.4
	Female	3,264	703	2,091	470	51.2	48.8	50.4	59.6
	Total	6,376	1,440	4,147	788	100.0	100.0	100.0	100.0
1985	Male	3,165	609	2,198	358	48.9	51.2	49.9	40.7
	Female	3,312	581	2,210	521	51.1	48.8	50.1	59.3
	Total	6,477	1,190	4,408	879	100.0	100.0	100.0	100.0

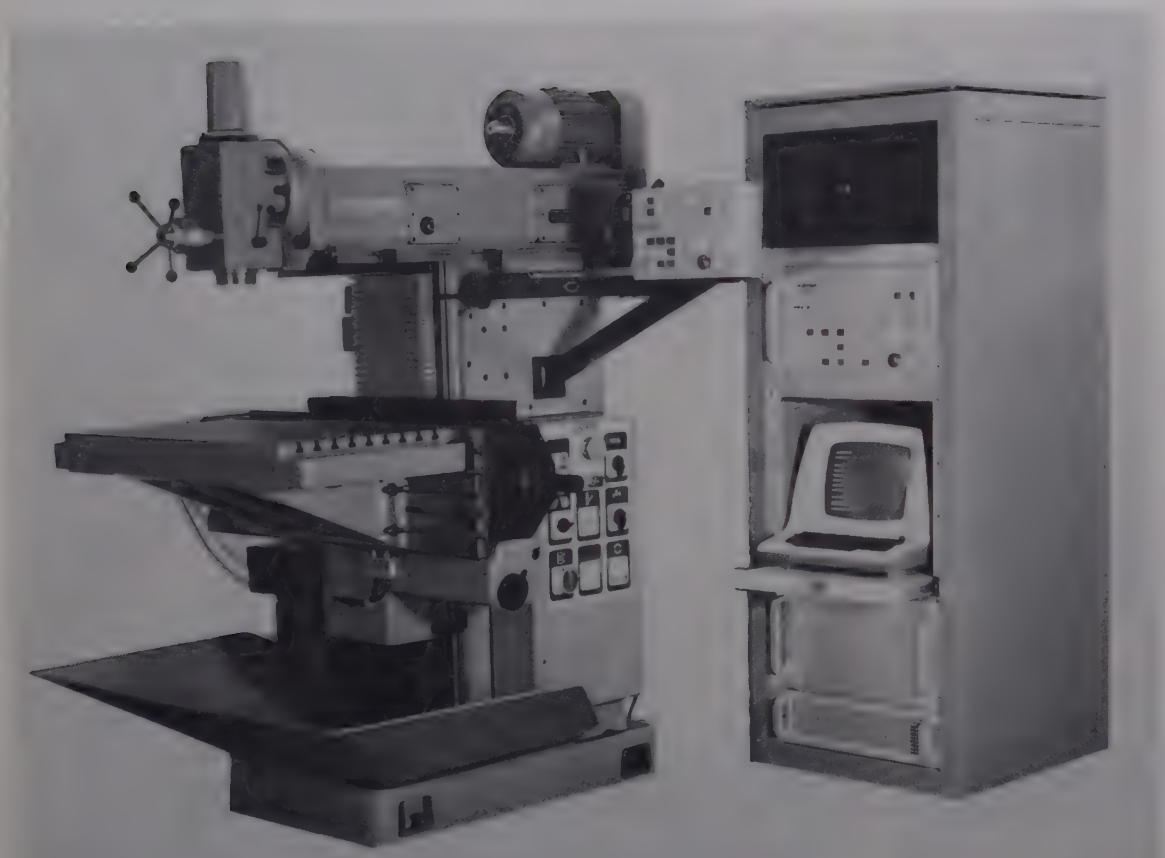
Source: 1960-1975 UN Demographic Yearbook
1980-1985 ECE Population Study

Table 9 Changes in the labour force occupational structure (in per cent of all activities)

		Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	Total EFTA
1960	Agriculture, hunting, forestry and fishing	24.6	36.4	22.9	21.6	42.8	13.1*	13.2	24.9
	Industry	40.3	31.9	34.7	35.6	29.5	42.0*	48.4	38.4
	Others	35.1	31.7	42.4	42.9	27.7	45.0*	38.4	36.7
1965	Agriculture, hunting forestry and fishing	21.1	29.9	18.8	17.6	37.5	11.3	9.7	21.0
	Industry	40.9	32.9	38.9	36.4	30.4	42.8	50.3	39.5
	Others	38.0	37.2	42.3	46.0	32.1	45.9	40.0	39.5
1970	Agriculture, hunting forestry and fishing	18.8	22.7	18.7	13.9	29.9	8.1	8.2	16.8
	Industry	40.3	35.5	37.0	37.2	32.7	38.4	48.8	38.9
	Others	40.8	41.9	44.3	48.8	37.4	53.5	43.0	44.3
1975	Agriculture, hunting, forestry and fishing	12.5	14.9	15.6**	10.2	28.1	6.4	7.9	13.4
	Industry	40.9	36.1	37.1**	34.3	33.3	36.5	45.0	37.8
	Others	46.6	49.0	47.3**	55.5	38.6	57.1	47.1	48.9

Source: Labour Force Statistics, OECD
* 1962
** 1974

EFTA industrial news



◄ *Mikron Machine Works Ltd.* (Bienne, Switzerland) has recently marketed a numerically controlled milling machine, the WF3 CNC, which is particularly suitable for the production of small and medium-size batches. It has a 3-axe continuous-path conrol and large dimensioned electric step motors as feed drives. The programming of the numerical control is effected by means of a screen display-input device. The input data is flashed on the screen and then stored. This procedure eliminates tool presetting, clamping layouts and determination of reference points. The work sequence is programmed step by step during the machining of the first piece of a series, after which the programme for the whole series is ready. In order to correct one of the steps, it is sufficient to recall it and enter the corrected value.

● The Finnish company *Rauma Repola Oy* and the Beloit Corporation of the USA have recently signed a cooperation agreement which will combine the development and marketing resources of the two companies. At the outset, Beloit will market and manufacture Rauma-Repola products in the States, Canada and Mexico. Joint projects are also envisaged in trade with the developing countries.

● A firm in Perg, Upper Austria, has received an order from a Polish purchasing commission for 41 heavy-duty fork stackers. For use in the wood-cutting industry, the stackers have a lifting capacity of between ten and fifteen tonnes.

● Tunnel sections in welded metal have been produced for the subway in Atlanta (Georgia, USA) by the Austrian firm *Vöest-Alpine* in its Liezen factory. Similar components were used in the Vienna underground. The order is worth 60 million schillings. Vöst-Alpine is also to manufacture and install four Francis turbines in the power station on the River Savannah in Georgia.

● *Vifor SA* of Switzerland, which specialises in the manufacture of pharmaceutical products, produces equipment for the manufacture of hermetically sealed supple plastic containers used in the packaging of perfusion solutions. One million of these containers will be manufactured per year under licence as a result of the contract which Vifor has signed with the Arab Pharmaceutical Manufacturing Co. of Jordan. The Swiss firm will supply production-line equipment, technology and know-how and will also be responsible for the technical supervision of the assembly of the plant and for the training of the Jordanian personnel. Production is to start this autumn.

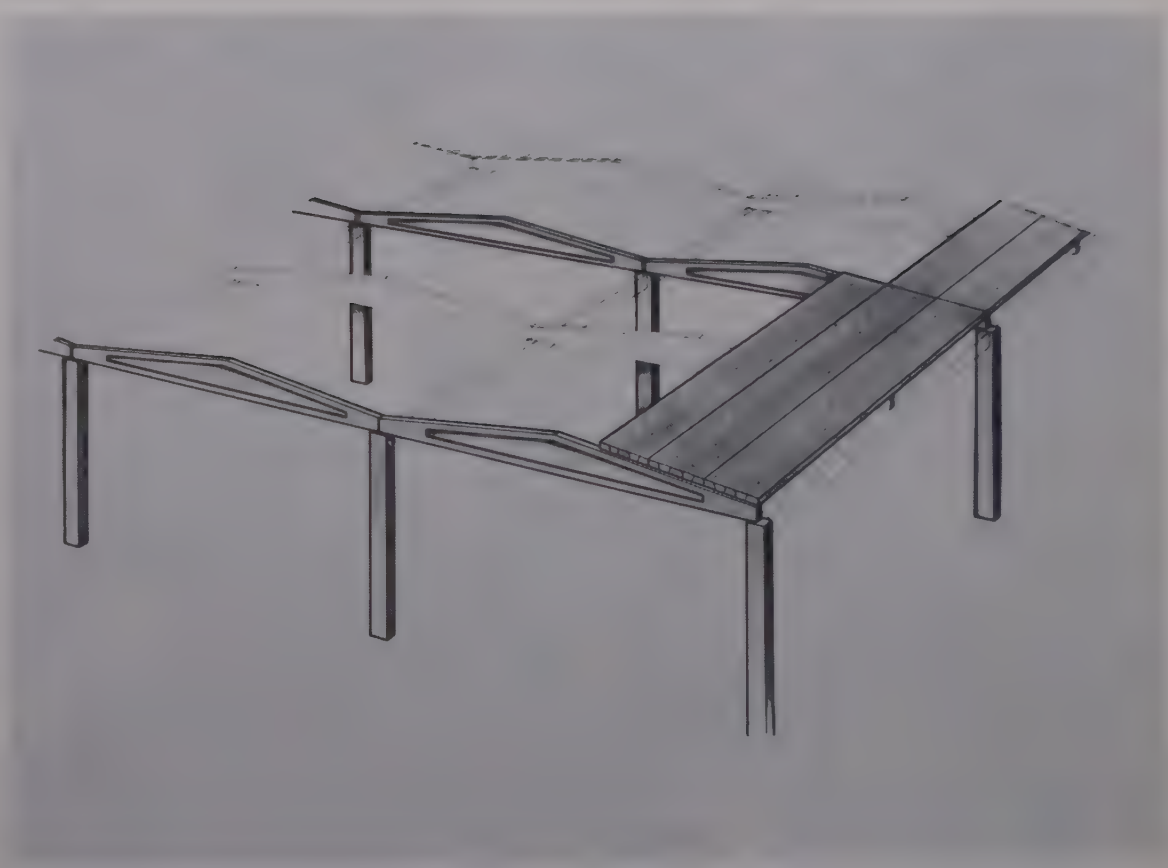
● An agreement in principle has been signed between *Moss Rosenberg Verft* (Norway) and the National Iranian Gas Company concerning the delivery of a floating gas terminal. This contract is said to be the largest ever awarded to a Norwegian company. Work will begin in 1979 and the project is expected to be completed by June 1982.

● The Swedish construction firm *Skanska* (Stockholm), along with a West German contractor, has won a contract worth 5 million kronor for the building of a complete garden city at Tabouk, a garrison town in north Saudi Arabia. All the dwellings will be ready for occupation, complete with furniture, fittings and services. The contract also covers the construction of roads, a port with relevant buildings and a quay for oil tankers.

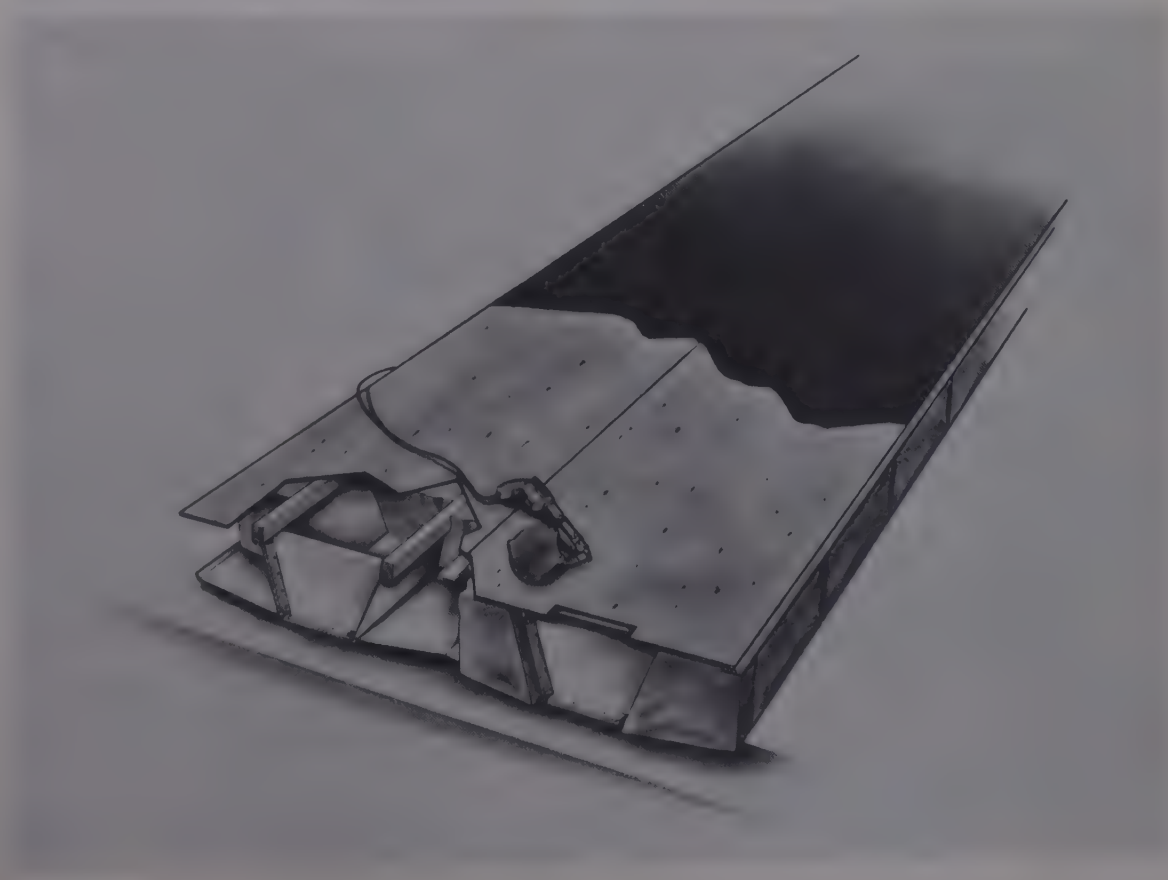
● The Portuguese firm Tagol, Companhia de Oleaginosas de Tejo, has placed another order for silo equipment with the Swiss firm *Buhler Brothers,* of Uzwil. The silo will have a storage capacity of approximately 36,000 tons of soya beans or meal, and will be brought into use in the near future. Buhler has also received from the Swedish firm Kungsörnen an order for the supply and erection of a new oat mill. The plant will have a capacity of five tonnes an hour of precleaned oats and will start operating in early 1979.

● The Austrian firm *Maschinenfabrik Andritz* (Graz) recently supplied a barking plant to a cellulose works in Cameroon. The plant, worth 5.7 million schillings, can bark up to 175 m^3 of tropical wood per hour.

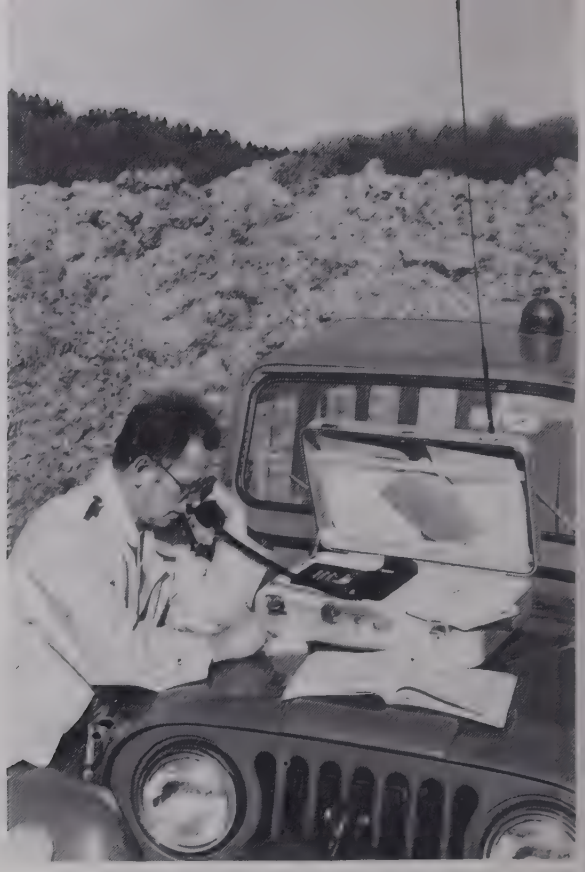
● The leading Finnish manufacturers of paper machines, *Oy Tampella AB, Valmet Oy and Oy Wärtsilä AB,* which are all members of the TVW Paper Machine Group, are to undertake the construction of machinery and equipment for a pulp and paper factory at São Paolo in collaboration with the Brazilian group Pilao. The factory will be run by a new company which will have a registered capital of 8 million dollars, 48 per cent of which will be held by TVW and 52 per cent by the Brazilian partners. This transaction will permit the Finnish manufacturers to penetrate the Brazilian market and also to gain a foothold in other Latin American markets. Finland will probably also export special components to Brazil.



The Swedish firm *A-Betong* (Växjö) has put on the market a lightweight, long-span roofing system for industrial buildings which is claimed to be the strongest of its kind. It keeps in heat and can support heavier loads than any other lightweight prefabricated system. The upper panel is in rigid plywood which gives compressive resistance and also acts as a thermal barrier. The underside is composed of insulating material and steel U-profiles which take up tensile forces. The bonding is polyurethane based. The installation of the roofing is simple and does not require the services of a specialist.



● The Norwegian *Elkem Spigerverket* group has signed a contract with Yugoslavia worth 100 million kroner for the construction, installation and putting into operation of two large electric furnaces for the production of ferro-nickel used in the manufacture of stainless steel. The Norwegian firm will also train the Yugoslavian personnel who are to operate the furnaces. A new smelter is being built in the province of Kosovo and Elkem Spigerverket will also supply a gas cleaning plant and transport equipment. This contract will affect much of the Norwegian machine tool industry since between twenty and thirty Norwegian firms are expected to become subcontractors.



▲ The Natelphone, manufactured by the Swiss firm *Brown, Boveri & Co.* (Baden), is a portable, autonomous telephone installed in a small metal box. It can be used anywhere, thanks to the built-in accumulator which supplies the necessary power.

◄ The Austrian firm *Gmundner Keramische Werkstätten,* founded in 1884, has long been known for the quality and originality of its products. The production range contains some 2500 articles, including the famous «green flame» design which goes back to the 17th century. A new design has been brought out called the «dirndl» pattern, in pink and blue. Designed in the firm's own studio, the pattern is hand-painted and is used for everyday crockery as well as for craftwork vases, plates and cups.

● An agreement in principle has been concluded between the Swedish automobile manufacturer Volvo and the Norwegian government with a view to furthering cooperation in the fields of energy and industry. A new Swedish-Norwegian company, *Volvo Svenskt-Norskt AB,* will be set up and 60 per cent of its capital will be owned by a Swedish holding company composed of the present share-holders of Volvo. A Norwegian holding company will obtain 40 per cent of the shares of the new company in return for an investment of 750 million Swedish kronor. The Swedish holding company will also establish a new subsidiary, Volvo Petroleum AB, which will be granted exploration rights by the Norwegian government for the Norwegian continental shelf of the North Sea. The new company will develop and produce aluminium and plastic automobile components. A new Volvo car is also to be produced in Norway. The head office of Volvo Penta is to be transferred to Norway where a new series of marine diesel engines will be developed and produced. The Volvo-Norway agreement will enter into force on 1st January 1979 and will create between 3000 and 5000 new jobs in Norway.

European Free Trade Association

Schemes and Conventions

Joint EFTA-Yugoslavia Committee established

The EFTA-Yugoslav Joint Working Group met in Geneva on 19th and 20th June. The meeting was chaired by Mr. Charles Müller, Secretary-General of EFTA. The Yugoslav Delegation was led by Mr. Stojan Andov, member of the Yugoslav Federal Government and President of the Commission for Coordination of Cooperation between Yugoslavia and the EEC and EFTA. The EFTA governments were represented by the Heads of their Permanent Delegations to EFTA.

The EFTA countries and Yugoslavia reaffirmed their will to seek ways and means of increasing economic cooperation between them. In order to intensify this cooperation the Heads of the eight Delegations agreed to establish a Joint EFTA-Yugoslavia Committee. The Joint Committee will deal with economic questions of interest to the EFTA countries and Yugoslavia, explore areas in which cooperation could be begun or extended on a multilateral basis, and stimulate further bilateral cooperation.

In view of the general desire to promote trade it was also agreed that a meeting of business representatives and foreign trade officials should be held in Geneva early in 1979 to discuss practical methods of increasing Yugoslav exports to EFTA countries. With careful preparation this meeting would provide an early opportunity for making progress in this field.

The Joint Working Group, which will be superseded by the new Joint Committee, also continued to discuss other areas of possible future cooperation. In addition there was an exchange of views on the economic prospects for the EFTA countries and Yugoslavia,

The Joint Working Group took note with satisfaction of an invitation from the Yugoslav side to hold the first meeting of the Joint Committee in Yugoslavia.

Economic Committee

The Economic Committee met in Geneva on 6th and 7th June 1978. It reviewed the present international situation and some of the implications for the EFTA countries of continued low growth in the world economy. It also discussed recent developments and prospects in Norway and Portugal.

The Committee observed that the prospects for a faster rate of growth in the OECD area had in general not improved. Furthermore, although the current account deficits of some countries had been reduced, the divergencies in balances remained considerable. Most of the smaller countries continued to show deficits, which limited their possibilities for taking action to stimulate growth. The Committee recognised the need for structural adjustments in most countries, in view of the changing pattern of international economic developments. In a first exchange of views on the implications for the EFTA countries of continued low growth, the Committee stressed the particular difficulties of the smaller countries, dependent on international trade. It was thought useful to continue to exchange views on these problems at future meetings.

In its surveys of recent developments and prospects in Norway and Portugal the Committee reviewed the policies which had been adopted by these countries to improve their economic situations. It was recognised that both countries have had to adopt greater demand restraint because of balance of payments problems. Attention was also paid to the medium term structural adjustments required in these countries, in view of likely developments in the international economic situation.

Hallmarking Convention

During 1977 some 400,000 articles of precious metals were marked with the hallmark of the international Hallmarking Convention. This was noted at a meeting in May of the Standing Committee established under the Convention for the Control and Marking of Articles of Precious Metals.

The Committee concluded a review of the working of the Convention by observing that it had been very successful and that jewellers and watchmakers were increasingly making use of the advantages it offered. The main advantage is that articles which have received the international hallmark from an assay office in any of the five Convention countries are admitted into the others without further assay or marking. The five countries are Austria, Finland, Sweden, Switzerland and the United Kingdom.

The Standing Committee agreed to amend paragraph 6(b) of Annex I to the Convention so as to permit the use of solder of 550 standard for silver articles of the 800 and 830 standards of fineness. The amendment, which requires the consent of the five contracting states, was proposed as a way of overcoming the difficulties experienced by manufacturers in using 650 standard solder for these articles. The 650 standard solder will still be required for silver articles of the 925 standard.

Pressure vessels

The national authorities participating in the reciprocal recognition scheme for pressure vessels met in Geneva on 11th May. They found that the scheme was very useful and was working well although it was difficult to obtain full statistical information on the use of the scheme in some of the nine countries concerned.

It was agreed at the meeting that the provisions in the scheme governing the recognition of testing or inspecting bodies should be amended to provide for a review every five years of the list of these bodies. Formal acceptance of this amendment is to be given by the participating authorities by 1st August 1978.

Pharmaceutical Inspection Convention

Annual Report 1977

In 1977 the Pharmaceutical Inspection Convention, which entered into force in 1971, was operating in Austria, Denmark, Finland, Hungary, Iceland, Ireland (as from December 1977), Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Requests for information made in accordance with Articles 2 to 4 of the Convention

These requests concern the general standards of manufacturing practices in a particular firm, the specific standards of manufacture and control of a given product in a particular firm and supplementary questions relevant to the quality control of pharmaceutical products based on the legal provisions of an importing Contracting State. The list of requests made in 1977 is contained in the table below:

Number of requests	Made in 1977 by	To
1	Austria	Switzerland
1	Denmark	Austria
1	Denmark	Switzerland
3	Denmark	United Kingdom
1	Hungary	Sweden
1	Iceland	Denmark
3	Ireland	United Kingdom
2	Norway	United Kingdom
1	Sweden	Austria
4	Sweden	Denmark
1	Sweden	Switzerland
1	Sweden	United Kingdom
1	Switzerland	United Kingdom
14	United Kingdom	Ireland
1	United Kingdom	Norway
3	United Kingdom	Sweden
3	United Kingdom	Switzerland

In its concern to ensure greater public safety within the Contracting States with regard to pharmaceutical products, the Convention provides in its Article 5 that if a competent authority discovers particular circumstances which cause a pharmaceutical product to be of imminent and serious danger to the public, it shall immediately communicate its findings to the competent authorities of the other Contracting States. Although warnings against and withdrawals of pharmaceutical products took place in 1977 in some of the contracting countries, none of them affected products exported in more than one country.

Committee of Officials

The Committee of Officials referred to in Article 8 of the Convention held two meetings in May and November 1977. The meetings were chaired by Dr. J.-P. Bertschinger (Switzerland). The main matters dealt with by the Committee related to the mutual training of inspectors, cross-contamination in manufacturing areas, the stability of pharmaceutical products, the geographical extension of the Convention and the election of a new chairman and deputy chairman.

Mutual training of inspectors

One of the important tasks of the Committee, as defined in the Convention, is to promote the mutual training of inspectors. This task has so far been carried out by the organization of seminars dealing with different aspects of manufacture and quality control of pharmaceutical products in relation to the basic standards of good manufacturing practices established under the Convention. These seminars have contributed to securing a uniform understanding and interpretation of the basic standards by the inspectors. In this connection a Seminar on the "Modern Methodology for the Isolation, Identification and Quantification of Drugs and Related Substances" was organized in June 1977 by the Swedish authority on behalf of the Committee of Officials. Inspectors and health officials were present from the Convention countries as well as from the Federal Republic of Germany, Ireland and Romania. The collected papers presented at the Seminar were published in book form.

The Committee also agreed on the programme of a Seminar for senior inspectors on "Large Volume Parenterals (LVP)" which will be organized by the Norwegian authority and which will take place in Oslo from 5th to 8th June 1978.

In view of the accession to the Convention of new countries, the Committee felt that another type of activity would also be needed for training inspectors who were not yet familiar with the Convention's basic standards (this kind of training activity being also necessary for newly-appointed inspectors from the Contracting States). As a first step in this direction, the Committee agreed on the programme of a training course on "Good Manufacturing Practice in Tablet Manufacture" to be held in Sunningdale (United Kingdom) from 28th to 31st March 1978.

Cross-contamination risks in manufacturing areas

The Committee studied a report established by a working group appointed to study the question of cross-contamination risks in manufacturing areas. It was thought that, in general, cross-contamination was not a big problem for manufacturers, for the authorities or for the consumers in the Convention countries. However, it was agreed that the few recommendations made by the working group for the attention of the inspectors should be taken into consideration when the Basic Standards of Good Manufacturing Practices (PH 1/72) were amended.

Stability of pharmaceutical products

A proposal for the elaboration of guidelines for the stability of pharmaceutical products was submitted to the Committee. The Committee will deal with this problem in the course of 1978.

Geographical extension of the Convention

Having deposited its instrument of ratification in September 1977, the Republic of Ireland became the 12th Contracting State of the Pharmaceutical Inspection Convention. The entry into force of the Convention in relation to Ireland came into effect on 8th December 1977.

Contacts with health authorities of other countries

In view of the interest shown by Romania in the work done under the terms of the Convention and after having been provided with a memorandum on the Romanian inspection system, the Committee agreed to informally meet with Romanian pharmaceutical officials for an exchange of views. The meeting took place in May 1977. The Romanian officials had the opportunity to give complementary explanations on their inspection system and to get information as to the inspection system applied under the terms of the Convention.

Election of Chairman and Deputy Chairman

At the second meeting in 1977 Mr. B. Jøldal (Norway) and Mr. K. Christensen (Denmark) were elected chairman and deputy chairman respectively for the period 1978-1979, Dr. Bertschinger having completed his two-year term of office as chairman. ■

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☐ **The European Free Trade Association.** A 14-page booklet outlining the history and working of EFTA. Also contains a section on the Free Trade Agreements with the EC. *English, French, German, Norwegian, Swedish* and *Portuguese.*

☐ **EFTA in a changing world.** EFTA Bulletin No. 4 of 1975. Twelve views on EFTA and its future on the fifteenth anniversary of its founding. *English, French* and *German.*

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Trade studies

☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

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☐ **An Examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

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☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only.*

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Seventeenth Annual Report of EFTA.** July 1976-June 1977. *English, French* and *German.*

☐ **EFTA Annual Reports 1967 to June 1976.** *English, French* and *German.*

☐ **First Annual Report of the EFTA Industrial Development Fund for Portugal.** April 1978. *English* and *Portuguese.*

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German.* (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

☐ **Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.** (1970). Bilingual *English-French, German, Italian.*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972). Bilingual *English-French.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

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☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel** (1978). *In stencilled form in English.*

Brochures published under the auspices of the Pharmaceutical Convention:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture and Analysis under Contract.** Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German.*

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers prsented at a seminar held in Copenhagen, June 1975.

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg, June 1976.

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EFTA BULLETIN

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Volume XIX
September/October 1978

European Free Trade Association

EFTA trade deficit reduced by a third – Cooperation between Sweden and the EEC outside the framework of the Free Trade Agreement – Norway's relations with the European Communities – Portugal and the European Community

Cover page: *In this issue (see pages 7 to 15) the* EFTA Bulletin *concludes its series of articles on the present cooperation between individual EFTA countries and the European Community. Environmental problems, including the long distance movement of air pollution, is only one of the subjects for cooperation.*

EFTA
BULLETIN

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EFTA's Eighteenth Annual Report published

A year of much reflection and great activity

The twelve months that ended with last June were a time of much reflection and great activity within EFTA. The summit meeting in May 1977 of prime ministers and other ministers from the seven EFTA countries had laid down a long-term strategy for the EFTA countries which needed to be translated into specific proposals for action, and this was the principal subject of the reflection. Its purpose was to fulfil the commitment to the concept of free trade, its consolidation and the further intensification of cooperation in the trade field which was reaffirmed by the EFTA governments at the Vienna summit. The following extract from the introduction to EFTA's Eighteenth Annual Report, which has just been published, gives a short account both of the work done as a result of the Vienna meeting and of other important developments during the year.

This Summit called for intensified co-operation within the Association and stressed the desirability of a further development of economic relations with the European Community. At the Ministerial meeting of the EFTA Councils in October 1977 the Ministers instructed the Councils at official level to begin to draw up a programme of measures to consolidate free trade and to intensity consultations within EFTA on matters of common economic interest. The Councils were also to follow closely the development of economic relations between individual EFTA countries and the Community in order to be able to identify specific subjects on which co-operation might be desirable or necessary.

Among the first results of the subsequent deliberations was a decision to study the importance of non-tariff barriers in the free trade system. So far as consultations on economic matters are concerned, the working methods of the Economic Committee were changed so as to permit a greater concentration on the implications of general economic developments for the EFTA countries and to extend the perspective beyond the short term. At their meeting in May 1978 the Ministers also agreed that there should from time to time be special meetings at official level to discuss the development of relations with the Community both in the context of the Free Trade Agreements and in other fields of economic co-operation.

At the same meeting the ministers called for studies to be undertaken within EFTA on several subjects including the question of avoiding government subsidies to export credits in internal EFTA trade, the economic consequences of Greek membership of the Community for the free trade relations between the EFTA countries and the Community, and the possibilities of new forms of assistance to Portugal.

Closer contact was established during the year between the EFTA Councils and the national parliaments through the establishment of a Committee of Members of Parliament of the EFTA countries, which held its first meeting in November 1977. Members of Parliament from these countries had met informally on many occasions in the past to discuss EFTA matters, and it was at their suggestion that the new Committee was created. It serves as a consultative body on matters within the scope of the Association's work and as a channel of information on these matters between EFTA and Members of Parliament.

The views of industry, commerce, trade unions and other economic interests in the EFTA countries are presented to the Councils through the Consultative Committee which continued to make a valuable contribution to the work of the Association. The Committee again received useful reports from its Economic and Social Sub-Committee. At both its meetings the Consultative Committee considered a trade union proposal that there should be a tripartite conference to discuss economic policies, full employment, prices and financial stability, with governments, trade unions and employers from all EFTA and EC countries taking part. The Committee also asked that the EFTA Ministers should reaffirm their determination to fight protectionism and work for a successful conclusion of the Multilateral Trade Negotiations taking place in the framework of GATT.

The EFTA Industrial Development Fund for Portugal, which was established by all the EFTA countries with the aim of contributing to the development of Portuguese industry and thus helping to consolidate the country's democratic institutions, completed its first year at the end of January 1978. EFTA and the EFTA countries continued to assist Portugal in other ways, both bilateral and multilateral, and the Councils are now to examine whether new forms of assistance to Portugal in the fields of export promotion, tourism and investment could be envisaged.

Throughout the year the EFTA countries were engaged in negotiations with Spain with the aim of establishing a multilateral free trade agreement. The ultimate goal was the extension to Spain of the free trade system that already links all the EFTA countries and the European Community. As a first step towards this, the multilateral agreement would give EFTA exporters of industrial goods the same access to the Spanish market as EC exporters have in virtue of the trade agreement of 1970 between Spain and the EEC, and would give Spanish exporters of industrial goods the same access to EFTA markets as they have to the Community market. Progress was made on many of the points to be included in the agreement but a few questions remained unsettled at the end of June 1978. A new round of negotiations was scheduled to take place in September 1978. Throughout the year there were also bilateral negotiations between individual EFTA countries and Spain in order to reach agreements on agricultural products.

The possibilities of meeting the wish of the Yugoslav Government for a more intense co-operation with EFTA were explored during the year in meetings which led to the establishment of a Joint EFTA-Yugoslavia Committee. As a specific manifestation of the interest in collaboration it was also agreed to organize a meeting to discuss practical methods of increasing Yugoslav exports to EFTA countries. ■

EFTA trade in the first quarter of 1978

4 Trade deficit reduced by a third

The trade deficit of the EFTA countries combined was cut by about a third in the first quarter of this year, compared with the same period last year and was, at 2.4 billion dollars, the lowest first quarter deficit since 1975. The fall in the deficit was due to much slower growth of imports than exports, mainly resulting from more restrained demand management policies in several EFTA countries.

The rate of growth of total EFTA imports fell from 20.0 per cent in the first quarter of 1977 to 6.8 per cent in the same period of the current year, while total EFTA exports rose only a little less than last year, i.e. 15.6 per cent in the first quarter of 1978 and 16.7 per cent a year earlier. All EFTA countries recorded an increase in their total exports and only Norway and Sweden showed a fall in their imports.

Austria and Norway, which had been running large trade deficits in recent years, reduced their deficits significantly and Sweden moved from a deficit of 466 million dollars in the first quarter of 1977 to a surplus of 214 million dollars this year. Portugal was the only EFTA country to record a significant deterioration in its trade balance during the period under consideration, increasing its deficit from $575 million in 1977 to $758 million in 1978. This was largely due to exceptionally high imports of foodstuffs in the first three months of the year. Finland's trade surplus increased somewhat between the first quarters of 1977 and 1978, while Switzerland's deficit was slightly reduced. Iceland's trade account went from virtual balance to a small deficit.

Intra-EFTA trade was most affected by the slowing down in the rate of growth of total EFTA imports and a fall in intra-area trade was recorded between the first quarter of 1977 and 1978. Imports from almost all other major regions showed increases: of 20.9 per cent for imports from the USA, 9.4 per cent for imports from the EC and 7.9 per cent for imports from Eastern Europe. Only imports from the "rest of the world" stagnated. Portugal contributed most strongly to the increase in EFTA imports from the United States, with a rise of 151.1 per cent, in spite of the sharp devaluation of the escudo. On the other hand, the strength of the Swiss franc probably contributed to the growth of Switzerland's imports, which rose more than those of any other EFTA

Table 1 Trade balances of the EFTA countries (in million US dollars)

	1974		1975		1976		1977		1978
	Jan.-March	Year	Jan.-March	Year	Jan.-March	Year	Jan.-March	Year	Jan.-March
Austria	–532	–1,862	–546	–1,874	–711	–3,016	–1,022	–4,421	–927
Finland	–239	–1,325	–652	–2,115	–357	–1,051	+67	+58	+99
Iceland	–29	–186	–54	–179	–28	–66	+1	–96	–20
Norway	–524	–2,146	–692	–2,479	–838	–3,190	–1,198	–4,154	–780
Portugal	–192	–2,190	–395	–1,892	–514	–2,404	–575	–2,951	–758
Sweden	–119	–504	–125	–395	–38	–870	–466	–1,031	+214
Switzerland	–717	–2,511	–466	–345	–29	+73	–322	–361	–259
EFTA	–2,352	–10,724	–2,930	–9,279	–2,515	–10,524	–3,515	–12,956	–2,431

country in total trade, intra-EFTA trade, trade with the EC and trade with Eastern Europe.

On a seasonally adjusted basis total EFTA imports, and imports from the EC, fell in the first quarter of 1978; only imports from the United States show an increase.

EFTA exports to the USA, like imports, recorded the sharpest increase. The accelerated economic expansion in the United States was probably the main reason for this, since the exports of Austria and Switzerland, with currencies appreciating against the dollar, rose sharply. Total EFTA exports to the USA rose by 32.4 per cent in the first quarter of the current year, compared with an increase of only 11.7 per cent in the same period of last year. Exports to the EC, the "rest of the world" and Eastern Europe also increased well, i.e. by 17.9, 25.1 and 10.4 per cent respectively.

Seasonally adjusted data indicate that in the first quarter of 1978 total EFTA exports and exports to the EC rose slightly and exports to the USA more strongly, while intra-EFTA exports fell. ■

See tables 2, 3 and 4 on page 6.

EFTA trade from January 1977 to March 1978

Three month's moving averages of seasonally adjusted figures, in million US dollars

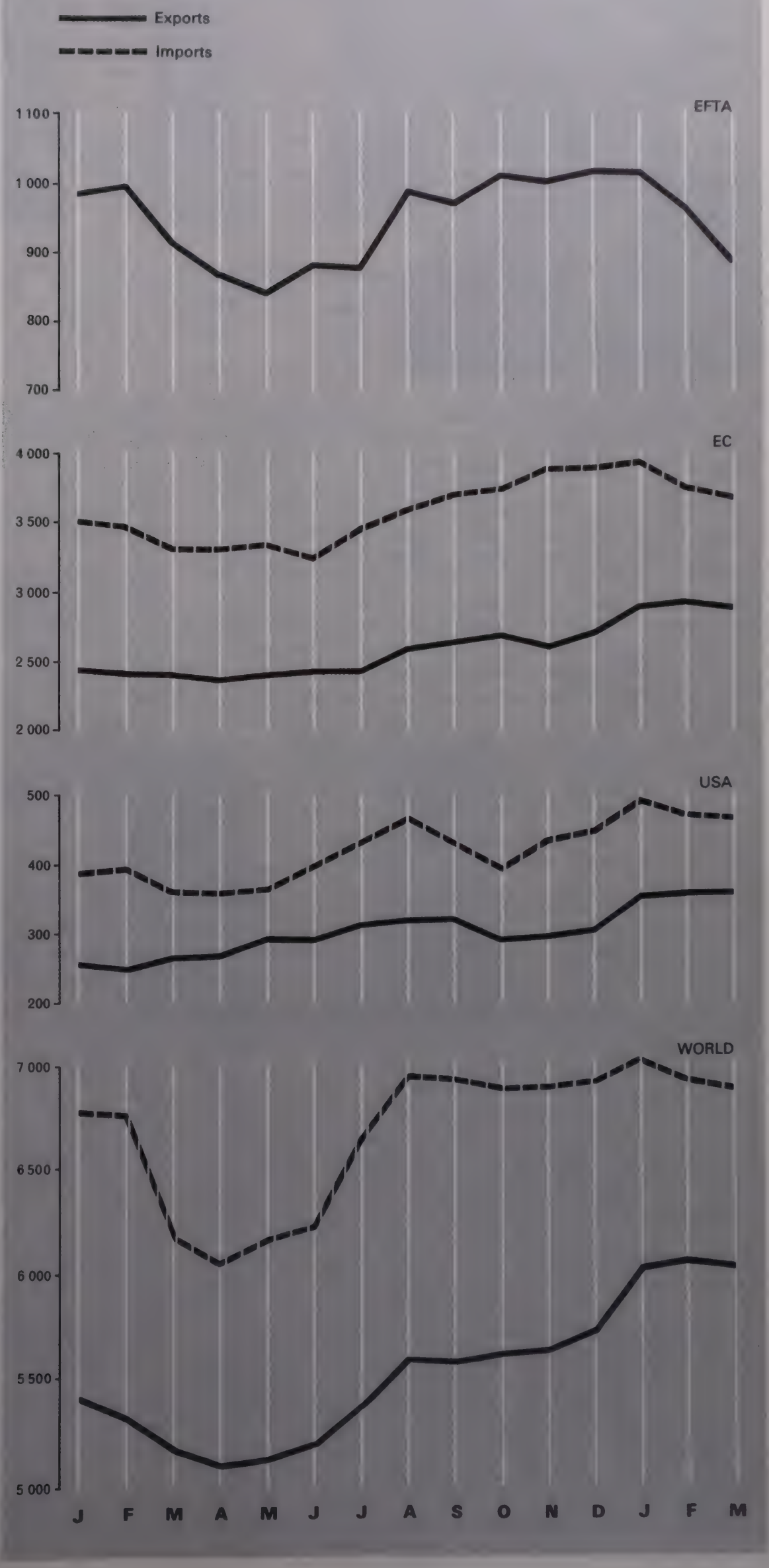

Table 2 EFTA trade in first three months of 1978 (with rise or fall (–) from first three months of 1977)

	EFTA				EC				USA				Eastern Europe				Rest of world				World			
	Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria	331.2	6.6	359.1	7.6	2,350.3	13.0	1,401.8	27.0	121.9	23.8	84.3	53.0	326.5	18.4	379.5	23.3	521.9	11.4	499.7	21.4	3,651.8	12.9	2,724.4	23.2
Finland	412.0	1.1	405.4	–16.6	675.4	0.9	753.4	7.4	91.2	–9.5	87.3	–4.0	355.6	–0.7	363.2	9.5	265.6	13.4	289.5	27.5	1,799.8	1.7	1,898.8	3.3
Iceland	25.5	17.5	24.8	65.3	69.1	18.7	43.2	27.1	10.4	23.8	32.2	7.3	17.1	32.6	12.1	–35.3	22.7	95.7	12.3	–21.7	144.8	28.4	124.6	9.9
Norway	669.9	–7.5	329.4	–15.6	1,352.5	–6.6	1,253.6	2.5	189.2	1.5	102.8	12.1	114.7	0.5	50.7	–8.3	576.8	–21.7	386.9	54.5	2,903.1	–9.5	2,123.4	5.6
Portugal	109.4	28.6	74.3	1.1	564.1	10.0	323.6	27.1	174.8	151.1	42.4	31.7	44.1	37.0	12.2	–56.6	422.2	17.5	103.7	7.9	1,314.6	24.1	556.2	14.8
Sweden	753.2	–11.2	1,009.8	–6.2	2,458.5	–10.0	2,435.0	7.1	375.9	1.3	303.3	31.9	189.1	–28.5	209.5	–12.0	952.8	–5.3	985.8	5.2	4,729.5	–9.4	4,943.4	4.0
Switzerland	382.8	30.6	499.9	16.1	3,706.1	36.4	2,485.0	39.4	393.7	36.9	347.6	54.3	196.3	106.4	266.1	38.8	782.2	8.2	1,603.2	37.7	5,461.1	32.7	5,201.8	37.1
EFTA	2,684.0	–0.2	2,702.7	–3.6	11,176.0	9.4	8,695.6	17.9	1,357.1	20.9	999.9	32.4	1,243.4	7.9	1,293.3	10.4	3,544.2	0.1	3,881.1	25.1	20,004.7	6.8	17,572.6	15.6

Table 3 Intra-EFTA trade in first three months of 1978 (Exports (f.o.b.) with rise (+) or fall (–) from first three months of 1977)

Importer	Austria		Finland		Iceland		Norway		Portugal		Sweden		Switzerland		EFTA	
Exporter	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria			24.3	–3.6	0.8	60.0	36.8	4.8	11.6	13.7	77.4	–25.6	208.2	31.3	359.1	7.6
Finland	14.1	2.9			2.4	14.3	83.2	–18.3	4.1	–8.9	262.7	–19.5	38.8	2.9	405.4	–16.6
Iceland	0.1	—	4.4	144.4			3.2	28.0	4.6	130.0	5.8	3.6	6.7	116.1	24.8	65.3
Norway	12.1	–0.8	38.6	–33.2	9.9	2.1			10.3	–5.5	237.5	–16.0	21.0	25.0	329.4	–15.6
Portugal	5.8	–7.9	5.8	–31.8	0.5	66.7	14.3	2.9			27.3	–9.9	20.7	45.8	74.3	1.1
Sweden	63.6	–6.2	285.9	–13.8	11.8	34.1	521.5	–7.0	29.8	6.4			97.2	22.6	1,009.8	–6.2
Switzerland	247.1	20.8	37.3	7.8	1.3	44.4	55.2	6.6	43.3	4.3	115.7	19.0			499.9	16.1
EFTA	342.8	12.6	396.3	–13.7	26.7	19.7	714.2	–6.7	103.7	6.8	726.4	–14.2	392.6	26.8	2,702.7	–3.6

Table 4 EFTA trade in January, February and March 1978

(Seasonally adjusted three-months moving averages in million U.S. dollars)

	EFTA						EC						USA						World					
	Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)		
	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March	Jan.	Feb.	March
Austria	120.6	114.5	113.0	123.8	127.9	126.0	921.8	839.2	780.4	481.5	488.9	477.8	39.8	42.4	41.8	38.0	37.7	36.0	1,369.9	1,272.4	1,228.0	932.6	963.9	973.8
Finland	153.4	146.2	133.4	154.0	144.6	126.2	228.8	226.2	231.5	245.2	242.9	247.0	29.8	25.2	27.9	26.5	27.4	25.7	676.4	660.0	651.7	644.8	648.9	649.9
Iceland	13.7	13.2	10.7	10.4	10.6	10.0	29.9	31.4	27.0	16.2	19.1	18.1	4.0	5.2	5.7	18.8	15.3	16.6	56.7	62.4	60.0	53.9	62.7	55.9
Norway	287.1	264.5	221.7	135.5	135.3	112.0	499.5	482.2	449.6	414.4	428.4	414.4	84.5	61.4	57.2	25.8	32.9	35.6	1,092.4	1,055.7	986.0	738.6	761.0	724.0
Portugal	35.3	34.2	42.6	29.6	22.2	23.7	168.3	152.7	174.9	88.6	89.8	104.9	77.5	97.2	94.3	12.0	14.1	15.4	403.5	406.0	460.8	167.6	157.2	182.6
Sweden	269.8	251.9	245.4	395.8	346.9	327.8	852.3	815.6	781.8	770.7	803.3	803.7	114.3	121.2	120.7	99.9	92.6	91.3	1,649.6	1,602.7	1,528.2	1,663.0	1,652.6	1,633.3
Switzerland	129.6	133.4	136.1	185.6	182.4	172.4	1,198.3	1,207.1	1,245.5	866.4	862.0	833.3	139.0	119.5	123.9	130.8	134.9	134.9	1,773.4	1,794.7	1,834.9	1,822.2	1,864.3	1,830.0
EFTA	1,009.5	957.9	902.9	1,034.7	969.9	898.1	3,898.9	3,754.4	3,690.7	2,883.0	2,934.4	2,899.2	488.9	472.1	471.5	351.8	354.9	355.5	7,021.9	6,853.9	6,749.6	6,022.7	6,110.6	6,049.5

Cooperation between Sweden and the EEC outside the framework of the Free Trade Agreement

by Ragnar Sohlman, Director,
Swedish Ministry for Foreign Affairs and Commerce

As the Free Trade Agreement (FTA) between Sweden and the EEC has developed towards its final objective–complete tariff exemption for the industrial commodities covered by the Agreement–the interest in the relations between Sweden and the European Communities has increasingly come to include areas outside the framework of the Agreement.

It is true that the final reduction in tariffs which occurred on 1 July 1977 did not include the so-called "sensitive items"–primarily certain steel and paper products, for which complete tariff exemption will not enter into force until 1980 and 1984 respectively. However, this does not hide the fact that the original Free Trade Agreement is slowly entering a stage of administration rather than development. As far as Sweden is concerned this does not mean that we can permit ourselves routine application of the provisions of the Agreement and passively allow developments to take their course. On the contrary, the interpretation and application of the provisions concerning the sensitive items do indeed call for our attention in a time of structural crises and increasing protectionism.

Furthermore, it is of course important that we should make a point of continuing the work towards simplifying and improving the rules of origin and other formalities in the Agreement. A joint action by the EFTA countries is of great value in this context.

Even before the Agreements between Sweden and the EEC and Sweden and the ECSC were signed in 1972 a certain amount of cooperation existed in the steel sector. During the very first year of the FTA an initiative was also taken for an agreement outside of the Free Trade Agreement, i.e. the abolition of the green insurance card which had formerly been necessary for taking a car abroad. The evolutionary clause which is part of the FTA was not invoked at that time however, and neither has it been invoked since. Instead the cooperation in various fields has been developed step by step through informal contacts between Sweden and the Commission in areas where a mutual need for such cooperation has been established. In some cases this cooperation has led to formal agreements but in most cases it has led simply to an exchange of information and informal cooperation.

As to the extent of the relations between Sweden and the EEC outside the framework of the FTA, they may generally be said to be guided by our common needs. As to their outline, they may be said to be pragmatic.

It would lead too far to try to give here a complete picture of the cooperation between Sweden and the European Communities outside the framework of the Free Trade Agreement. As a consequence in this article I shall only mention some of the more important fields of cooperation which have developed in the areas of science, economics and commercial law.

Technical cooperation takes place mainly within the framework of COST (European Cooperation in the field of Science and Technology). Sweden has participated in or is at present participating in projects in all of the seven original areas of cooperation within COST (information processing, telecommunications, transport technology, oceanography, meteorology, materials research and environmental protection). Sweden also intends to join in projects in two new fields: agricultural technology and food technology. Thus Sweden is taking part in most of the current COST projects as well as in those at the planning stage. The projects in the area of food technology came about, incidentally, as a result of a Swedish initiative. Sweden has also played an active part in the discussions on the future administrative framework for the cooperation within COST which have been taking place during the past year.

Thanks to a cooperation agreement reached in May 1976 Sweden is now participating in the long-term fusion research programme of Euratom. The Swedish activity in the field of fusion is thereby part of a major internationally coordinated project aiming at developing a new source of energy. This agreement assures Sweden reasonable independence in her national research projects as well as the opportunity of cooperating in the far-reaching international research work being done within the scope of Euratom. Today Swedish scientists are participating in a number of projects and working groups, for instance the Joint European Torus project (JET). Financially this cooperation means that Sweden contributes almost 5 per cent of the total budget of Euratom while Swedish fusion research is partly paid for by Euratom.

In the field of atomic research Swedish experts have participated since 1976 in the EC Commission's working group on the safety of light water reactors.

During the current year preliminary enquiries have been made with a view to exploring the possibility of a link-up between Euronet, the data network of the EEC countries, and the corresponding Swedish data network.

It is still too early to say what the results of these exploratory talks will be but it would seem reasonable that the costly data banks already operating at various seats of learning in Europe should be jointly utilized as effectively as possible by countries in Western Europe instead of being duplicated.

As we know, environmental problems do not stop at national frontiers. At the end of 1977 the mutual realization of this fact led to an agreement between Sweden and the EEC to cooperate on environmental questions. The aim is to have a regular exchange of views and information concerning primarily long-distance movement of air pollution, air pollution from motor vehicles, control of products hazardous to human beings and the environment, information systems for the protection of the environment and regional conservation measures to protect the marine environment. This list of cooperation projects is by no means complete and the parties take it for granted that later on it will be possible to change the list and to enlarge it.

In the field of shipping, regular contacts between Sweden and the Commission were established in 1977. So far experts on shipping policy have held three meetings for the informal exchange of information. In principle it is intended that these experts will meet twice a year. Subjects discussed at the meetings included UNCTAD's code for liner conferences, flag discrimination, competition from the state trading countries, common problems in relation to the U.S., flags of convenience, environmental problems connected with shipping.

The first informal meeting of experts to discuss matters of economic policy was held in November 1977 when information and views on short-term economic developments and on current economic problems were exchanged. Prognoses drawn up by both sides were also discussed as well as current monetary questions and currency problems. This kind of meeting can clearly be of great help in promoting a better understanding of the assessments and intentions of the participating parties, thereby providing better possibilities for the parties to pursue an adequate economic policy.

Informal exchanges of information and views have also taken place between Sweden and the EC on trade policy, in particular in connection with the Multilateral Trade Negotiations and the Multi-Fibre Agreement. The consultations with the EC have mainly taken place in close association with our Nordic neighbours.

In the field of commercial law cooperation concerning the question of patents was started when Sweden joined the European Patent Convention (EPC) at the beginning of this year. A certain exchange of information on the subject of trade-marks has been initiated, including study visits to Sweden on the part of the Commission. It is still too early to say whether the exchange of information which has taken place up to now will expand into a more far-reaching cooperation. Discussions on cooperation in these questions are at present under way among the EFTA countries.

If–without taking any definite standpoint as to the scope and form of possible future cooperation and information exchange–one were to name some additional areas suitable for cooperation in the years to come, government purchasing and technical barriers to trade appear, among others, to be obvious sectors, a fact of which both Sweden and the Commission are aware. It is difficult to predict which other questions may become subjects for cooperation between Sweden and the EC. That is something that will have to be decided by upcoming needs and future events. The important thing is that the experiences which we have gained up to now show that the will exists on both sides to cooperate in a pragmatic manner when the need arises. This willingness to cooperate has recently been demonstrated by the EC Council's approval of the Commission's "communication" concerning relations between the European Community and EFTA, which could be seen as a counterpart to the declaration by the EFTA countries on the same subject at the summit meeting in Vienna in May 1977. Now it is up to Sweden and to the other EFTA countries either separately, or–where their interests coincide–jointly, to try to take advantage of the favourable atmosphere for cooperation with the EC in concrete questions that has thus been created. ■

Norway's relations with the European Communities

by Oddmund Graham, Counsellor of Embassy,
Permanent Mission of Norway in Geneva

The relations between Norway and the EC are manyfold and lively. The flows of people, ideas, goods, capital and services are increasing every year. Statistics are going up as trade barriers go down. The actual economic and social integration in Western Europe is taking its historic course even in difficult economic times. Norway is taking active part in this continuous but complex process. There are diverging as well as uniting trends, but it seems that the need for more active inter-governmental co-operation is increasingly realized.

The Norwegian referendum in 1972 established the basis for Norway's relations to the EC for the foreseeable future. Instead of joining the EC as a full member Norway chose, like other EFTA countries, the more limited solution of individual free trade agreements for industrial products. Membership in the EC is not an issue on the political agenda in Norway today, even if some economic and political circles still maintain this objective. There is, however, no significant disagreement on the present form of relations with the EC, taking into account the existing political realities. The trade agreement is therefore the framework for the relations between Norway and the EC. It gives stability for further developing trade, and presents scope for extending co-operation to other areas when and where such a step is considered to be in the mutual interest of the parties. The trade agreement contains a so-called "evolutionary" clause, alredy foreseeing such a development. So far this article has not been applied.

Cooperation in other fields

Nevertheless, certain progress in co-operation has been made in a number of fields other than trade. With regard to monetary co-operation, Norway's participation in the "snake" represents a contribution to the international efforts in the field of exchange rate stabilization. Furthermore, Norway is also actively co-operating with the Community countries within the framework of scientific and technical research (COST). Regular consultations have now started on shipping matters, where such burning topics as flag discrimination are dealt with.

In the field of the protection of the environment, there has been some exchange of information relating to air pollution and the pollution of the seas. Norway, being a receiver of air pollution, caused by large emissions of sulphur dioxide and other pollutants from industry and power plants located mainly in the EC area, has for years pressed for international solutions to this complex problem. This issue is now being pursued in wider international forums, such as the OECD and the ECE, where the need to reach binding instruments is more generally recognized.

Now, looking at the implementation of the trade agreements, the transitional period for the abolition of tariffs on most industrial products ended on 1 July 1977. As a consequence a free trade system has been functioning from that date within Western Europe, the most important trading area in the world.

Sensitive products

However, EFTA countries had to accept some important exceptions to free trade, and in the case of Norway these are the following. Some major export products will still be subject to duties when imported into the Community, until 1980. These are silicon carbides, man-made fibres, ferro-alloys (including ferro-manganese under the agreement with the ECSC), unwrought aluminium and certain aluminium products, unwrought magnesium and zinc.

In the paper sector, which is very important for Norwegian industry both in terms of production and employment, the transitional period for the abolition of tariffs will last up to 1984.

All these so-called "sensitive" products are subject to the EC system of import ceilings. However, the Community has so far never re-introduced the full rates of the common

external tariff for imports from Norway exceeding these indicative ceilings. It is hoped that this will also not be necessary for the remainder of the transitional period. The depressed market situation in the EC has in fact for certain products led to imports being far below the ceilings, which in turn has caused them to be suspended. With regard to paper ceilings some problems have however been experienced by Norwegian exporters, but it is hoped that these difficulties will disappear.

It is a general impression that the implementation of the trade agreement between Norway and the European Economic Community has been carried out in a satisfactory manner. This could also be said as to the implementation of letters annexed to the agreement. However, the mutual trade in agricultural and fishery products has, so far, been to the advantage of the EEC.

A few important Norwegian export products, falling in the category of processed agricultural goods that are duty-free within EFTA, fall outside the scope of the trade agreement. The gradual introduction in Denmark and the United Kingdom of the prohibitive EC duty for hardened marine fats–processed from Norwegian fish oils–has in fact closed these former duty-free markets completely for important Norwegian exports of this product. Repeated Norwegian requests in this matter to the EEC have been in vain.

Norway's trade agreement with the European Coal and Steel Community has also been implemented according to schedule. However, the steel arrangement concluded this year on the initiative of the Commission seems to cause some difficulties. While it is perhaps too early to draw any definite conclusions on the functioning of this arrangement, Norwegian authorities have noted an increase in prices and a reduction in exported quantity. The basis for the arrangement is that the normal flow of trade will be secured also in the future. Similar arrangements have been concluded with other EFTA countries, even though the low-price competition does not derive from the EFTA area. The steel arrangements shall constitute no precedence for other sectors of trade.

The actual development of Norway's trade with the EC during the years up to 1977 showed a fairly stable growth with considerable increase in trade both ways. Norwegian imports from the Community remained around 45 per cent of total imports. Norwegian exports to the EC showed a gradual increase in relative terms from 47 per cent in 1973 to 56 per cent in 1976. Calculated as a percentage of total Norwegian exports, the relative weight of the trade deficit with the EC gradually diminished from 1973 up to and including 1976. This is explained through the increase in deliveries of crude oil to the United Kingdom.

Imbalance in trade flows

The very recent statistics, however, show another picture, which deserves special attention. Thus, from 1976 to 1977 Norway increased her exports to the EC by only 3.9 per cent, whereas Community exports to Norway jumped 15.5 per cent. In the first half of 1978 this tendency continued. This development was due to several factors, but the main reason was the countercyclical policy in Norway and the slackening of demand in the Community. The economic growth has been particularly weak in countries which are among Norway's most important trading partners, Great Britain, West Germany and Denmark. These countries take more than 70 per cent of Norwegian exports to the EC. The composition of Norwegian exports is also such that the demand for the types of goods and services Norway offers often decline somewhat more than total demand when growth is low. On the other hand, we could normally assume that when economic growth in Western Europe begins to rise, the demand for Norwegian goods will increase at a somewhat faster rate than the average growth in the markets.

What we have seen during recent years is therefore an increasing imbalance in the trade flows between Norway and the EC. On the one hand the Community countries have benefitted from the full employment policy pursued in Norway and by the expanding Norwegian economy, while on the other hand Norwegian exports have been hurt by the lack of such policies and expansion in her main markets. This state of affairs could not be expected to continue and Norwegian economic policy had to be adjusted to this. There should be balance in the benefits derived from free trade.

Some other EFTA countries are in a position similar to that of Norway with a great deficit in their trade balances with the EC. In fact the bulk of the combined trade deficit of EFTA in 1977 was a result of the 11.8 billion dollar deficit in trade with the EC. Consequently, the EFTA countries have not only been important trading partners to the EC, but have through their large purchases actively supported employment in the EEC area. It would be interesting to figure out what EFTA deficits on such a scale represent in actual jobs in the EEC.

Active international trade the basis for prosperity

For most of the EFTA countries the growth in domestic output in 1977 was greater than in most of the larger industrial countries, especially in Western Europe, so that import demand was high. It could therefore be said that these countries have already made a contribution to the "concerted action" recommended by OECD and confirmed

by the Western summit in Bonn. It should now be expected that the promising agreements reached at this meeting will be actively pursued in terms of practical policy. The EC countries have a special responsibility in this development. It is gratifying to note that the first concrete efforts have now been taken by the Federal Republic of Germany, which hopefully will trigger off a broader international action to stimulate the economy, reduce unemployment and create the basis for an upturn in international trade. An active international trade is the basis for the prosperity in particular of Norway and other small countries with an open economy.

As has been stated by the Norwegian Minister of Trade, Mr. H. Bakke, free trade is no goal in itself, but a means to reach other goals. This is also clearly reflected in Article 1 of the trade agreement between EEC and Norway : to "promote through the expansion of reciprocal trade the harmonious development of economic relations between the EEC and the Kingdom of Norway and thus to foster in the Community and in Norway the advance of economic activity, the improvement of living and employment conditions, and increased productivity and financial stability." The trade agreements between other EFTA countries and the EEC contain an identical provision.

The objective stated refers to the broad economic framework for trade relations, and indicates the elements that the parties should take into account when pursuing their own policies. This was a recognition of the growing interdependence between the countries concerned as trade developed. In the open system now established in Western Europe the economic policy pursued by one country or a group of countries will automatically affect developments in the others. At the same time the openness of the system may in itself reduce the effectiveness or even counteract the policies of especially small countries. As has been repeatedly pointed out by the Norwegian Goverrnment, this set of problems increases the need for international economic cooperation in other fields than trade policy. The economic integration in Western Europe has now reached a stage where the management of the interdependence in that area has come in the focus of discussions at international meetings.

Against the background of the enormous waste of resources now represented by more than 6 million unemployed in Western Europe, the need for more binding international economic cooperation is widely recognized. Bilateral exchange of information through expert meetings on economic policy and forecasting, however useful, would not seem sufficient in the long run.

The management of the interdependence in the West European free trade area has a dimension of its own. There is clearly no EEC solution or EFTA solution to this question. One possibility could be that consultations and possible coordination of economic policies could lead to a balanced, overall strategy based on solidarity and partnership. In this way there could be a European input to the concerted action recommended by the OECD. Such a co-operation in Europe would naturally have to recognize the rules of the Community and the autonomy of decision of the EFTA countries. In a spirit of enlightened self-interest all partners could in a "varying degree of intensity" make their contribution to the work of "constructing Europe" as mentioned in the preamble of the free trade agreements.

On the political level the readiness to co-operate has been expressed in broad terms by all parties concerned. The Vienna declaration from the EFTA countries' summit meeting last year, as well as the response from the Communities, indicate that common attitudes exist. New ideas and initiatives to concretize the co-operation will certainly emerge on the basis of this political will. The European tripartite conference on employment proposed by the European Trade Union Confederation and supported by many Governments could provide an opportunity for bringing together all partners in a European co-operation and a search for agreement on a common programme to deal with the serious unemployment and the structural problems now facing Western Europe. ■

Portugal and the European Community

Some reflections on the Free Trade Agreements

by Carlos Roma Fernandes, Principal Assistant, Secretariat for European Integration

More than five years have passed since Portugal began to draw closer to the European Community by entering into two free trade agreements, one with the European Economic Community (EEC) and one with the European Coal and Steel Community (ECSC) and its member states.

It is not an easy task to assess with precision the effects these agreements have had on the Portuguese economy. The time that has elapsed since the agreements came into force is too short and scarcely enables one to draw strict conclusions about the changes in economic structures that they have brought about. And during this period Portugal has experienced unusually important political transformations which have deeply marked the evolution of the national economy. Finally, the recession that has hit the world economy since 1973 has slowed down the rates of economic growth of Portugal's principal partners, and this has inevitably had an unfavourable effect on exports to those markets from a country that is so greatly dependent on the outside world.

Still, the trade flows between Portugal and the EC in the years immediately preceding and following the entry into force of the free trade agreements (FTA) do give useful indications of the conclusions that can already be drawn from this experience.

Firstly, it can be said that the agreements provided a means which made it possible to expand the trade between Portugal and the EC. During the period following the entry into force of the agreements Portuguese exports to the enlarged Community increased more rapidly than in the four preceding years, and more rapidly than Portuguese trade with the rest of the world.

It should however be noted that Portugal's exports to the six founder members of the EC and to Ireland grew at a much faster rate than its exports to the two former EFTA countries, Denmark and the United Kingdom. The agreements had diametrically opposite effects on Portuguese exports depending on whether they were despatched to the former or the latter.

It must be acknowledged that the growth in exports to the six original EC countries and Ireland is largely attributable to the happy consequences of the progressive removal of tariff barriers which gave Portugal access, on preferential and more competitive terms, to a market with a strong purchasing power. On the other hand there is no doubt that the slowing down in the rate of growth of Portuguese sales on the British and Danish markets reflects the negative effects which the agreements have had on the competitiveness of some products.

This slowing down involved no departure from the trend observed in the years before the application of the FTA–at that stage also Portuguese sales to the United Kingdom and to Denmark were increasing more slowly than exports to the six EC founders and to Ireland–but it is no less clear that the FTA, by reintroducing tariff and non-tariff barriers to the entry into the British and Danish markets of certain Portuguese products which had previously been free of duties and quotas within EFTA, affected the competitivity of these exports. It is estimated that roughly a third of Portuguese exports to the British and Danish markets were affected by the restoration of these barriers. And that is to say that it was not possible for Portugal to preserve in its entirety the free trade earlier established within EFTA, even though this had been one of the main preoccupations of the Portuguese negotiators in Brussels.

The impact of the free trade agreements on Portugal's exports to the UK and Denmark was particularly harmful for some textile products and articles of clothing (which are subject to indicative "ceilings" and, since 1976, to voluntary agreements to restrict exports) tinned sardines, tomato concentrate, and wine. For some of these products there has been a slower rate of export growth, but for others an actual fall in the volume of sales. As a result of the restrictive effects of the FTA, Portuguese exports of tomato concentrate to the UK and Denmark in 1976 were less than half the quantity exported in 1973, exports of tinned sardines were a third of the 1973 volume and exports of Port wine only two-thirds. The recession which has affected these economies, and undoubtedly helped to reduce the demand for Portuguese products, must not be overlooked, but it must also be remembered that the granting by the EC of greater preferential advantages to similar or competitive products imported from other countries has played a big part in this decline. And this is confirmed by the deterioration of Portugal's position as a supplier of the British and Danish markets while other countries have preserved or even improved theirs. So if one takes account of the fact that more than half of the increase in Portuguese exports to the UK and Denmark between 1972 and 1976 was accounted for by sales of textiles and articles of clothing that are subject to ceilings, tomato concentrate, tinned sardines and Port wine, the reason for the poor performance of our exports to these countries is clear.

The results of this deterioration speak for themselves; the Portuguese trade balance with the UK and Denmark, which showed a surplus of over 500 million escudos in 1972, has turned into a deficit of more than 5,000 million escudos last year.

Table I Portuguese trade with main trading areas

	World	USA and Canada	EFTA	EC			Rest of World*
				EC(9)	"Six" and Ireland	UK and Denmark	
1. Average annual rate of growth of imports 1968-1972	15.7	22.3	21.0	14.6	14.0	16.1	16.7
2. Average annual rate of growth of imports 1972-1977	25.7	28.7	20.9	24.5	26.4	19.8	26.7
3. Average annual rate of growth of exports 1968-1972	12.6	13.7	22.2	16.6	18.2	15.4	9.7
4. Average annual rate of growth of exports 1972-1977	17.1	7.1	17.4	19.7	27.3	11.9	14.7
5. Geographical distribution of Portuguese imports							
1972	100.0	9.7	10.2	45.8	31.6	14.2	54.8
1977	100.0	10.9	8.4	43.6	32.4	11.2	56.4
6. Geographical distribution of Portuguese exports							
1972	100.0	12.5	14.9	48.6	21.7	26.9	51.4
1977	100.0	8.0	15.1	51.7	31.1	20.6	48.3
7. Portugal's trade balance in million escudos							
1972	–25,428.2	–1,469.2	–920.8	–11,395.3	–11,930.3	+535.0	–14,032.9
1977	–113,042.6	–14,510.4	–4,264.7	–42,979.9	–37,751.4	–5,228.5	–70,062.7
8. Share in the increase in Portuguese imports							
1968-1972	100.0	12.1	12.3	43.5	29.1	14.4	56.5
1972-1977	100.0	11.4	7.5	42.6	32.9	9.7	57.4
9. Share in the increase in Portuguese exports							
1968-1972	100.0	13.3	21.7	56.3	26.4	29.9	43.7
1972-1977	100.0	4.2	15.3	56.3	39.8	16.5	43.7

*Rest of world = world minus EC.

This unfavourable development has brought about a diminution in the importance of the UK and Denmark as markets for Portugal. In 1972 the two countries absorbed 27 per cent of Portugal's exports, and in the years 1968-72 they accounted for 30% of the increase in total Portuguese exports. In 1977 they took no more than 20% of our exports, and their share in the growth of our exports was no more than 17 per cent.

In actual figures it is particularly the trade with the six original EC countries which has deteriorated. Despite the fast rate of growth of exports since 1973 Portugal's trade deficit with the EC more than tripled between 1973 and 1977.

As for trade with the rest of the world it should be said

Table II Portuguese exports to the EC and the rest of the world

Products	Average annual rate of growth of exports					Share in the increase in total exports				
	World	EC			Rest of World	World	EC			Rest of World
		EC (9)	«Six» and Ireland	UK and Denmark			EC (9)	«Six» and Ireland	UK and Denmark	
All exports										
1968-76	12.2	15.6	20.6	10.9	9.4	100.0	100.0	100.0	100.0	100.0
1968-72	12.6	16.6	18.2	15.4	9.7	100.0	100.0	100.0	100.0	100.0
1972-76	11.8	14.6	23.0	6.4	9.1	100.0	100.0	100.0	100.0	100.0
Products subject to "ceilings" (textiles and cork)										
1968-76	14.7	19.3	23.1	16.3	10.8	25.0	26.0	21.0	35.7	23.6
1968-72	15.9	21.4	22.9	20.5	11.8	25.1	25.5	22.8	27.8	24.6
1972-76	13.5	17.2	23.3	12.1	9.8	24.9	26.3	20.3	47.7	22.8
Textile products subject to "ceilings"										
1968-76	15.2	19.3	33.3	17.5	10.8	18.4	24.5	10.9	34.4	20.1
1968-72	18.2	21.4	44.0	22.7	12.6	20.8	21.5	14.8	27.5	20.0
1972-76	12.2	17.2	22.6	12.3	9.0	16.8	26.3	9.5	44.9	2.2
Port wine										
1968-76	15.6	15.8	17.0	12.9	14.5	3.6	5.3	6.2	3.6	1.1
1968-72	13.5	14.0	13.8	14.8	10.4	2.7	4.3	6.0	2.7	0.6
1972-76	17.7	17.6	20.2	11.0	18.6	4.2	6.0	6.2	5.0	1.4
Tomato concentrate										
1968-76	8.4	1.0	–5.4	2.2	12.6	2.7	0.2	0.3	1.0	6.2
1968-72	6.9	2.2	18.2	–3.5	10.3	2.2	0.5	2.5	–1.2	4.4
1972-76	9.9	–0.2	–23.6	8.3	14.9	3.0	–4.2	–0.5	4.3	7.5
Tinned sardines										
1968-76	3.5	2.3	4.7	–6.4	5.2	0.8	0.5	1.3	–1.0	1.2
1968-72	–4.6	–4.3	–5.8	–0.5	–5.1	–1.1	–1.1	–2.2	–0.1	–1.0
1972-76	11.9	8.9	16.3	–13.4	16.4	2.0	1.5	2.6	–2.3	2.9

that, far from hampering or distorting traditional trade flows, the free trade agreements have served rather as a stimulus. This is shown by the fast rates of growth of imports from the other EFTA countries and from North America after the entry into force of the FTAs.

The EC on its own accounts for almost 40 per cent of the total deficit on Portugal's trade balance. It therefore has a special responsibility in the search for a solution to the economic problems facing Portugal. The free trade agreements, negotiated with the aim of securing an equitable sharing of economic advantages, are no longer balanced today, either because of the inability of Portuguese firms to adjust to the new conditions of competition arising from the agreements and thereby profit from the real benefits of access on preferential terms to a market with considerable purchasing power, or as a result of restrictions, tariff or non-tariff, which continue to have harmful effects on a high proportion of imports coming from Portugal.

In order to solve some of the economic problems affecting Portugal it is necessary to restore the balance in the distribution of the gains that originate from economic integration, that is, to establish mutual relations on entirely new bases. On the one hand, the entry of Portugal into the

EC seems to be the most appropriate way to give a new dynamism to relations between them, in a setting favourable to the interests of Portugal. On the other hand, the prospect of membership and the solving of the real problems facing Portugal are incompatible with the policies adopted by the Community in certain sectors, and particularly in the textile sector. The EC has tried to overcome its own difficulties by exporting them to less developed countries instead of going ahead with a large scale restructuring of this branch of industry.

Moreover, it should be recalled that the Commission of the European Communities, in its report on the proposed new enlargement of the EC and in its opinion on the Portuguese request for membership, acknowledged the necessity of undertaking this restructuring of industry and of freeing the candidate countries from the restrictive trade measures applied by the EC in particular sectors. In the report the Commission stressed that the EC should take account of the prospect of enlargement when working out its industrial policy: only if the common disciplines, which are deemed to be indispensable for the success of joint actions in the industrial sphere, function properly will it be possible to free the candidate countries from protective measures taken by the EC in relation to third countries, and particularly in respect of exports which are important for their trade balances.

Also in its opinion on the Portuguese request for membership the Commission stated a clear position on the subject of the cooperation to be established between Portugal and the EC: in industrial matters the Community should exempt Portugal from measures taken by the Community to restrict the import of products which are vital for the restructuring of Portuguese industry and for the improvement of the Portuguese balance of payments.

At a time when Portugal is engaged in a profound crisis of identity provoked by five hundred years of colonial frustrations and long periods of political obscurantisms, the integration of the country into the European Community as a full member is much more than a path towards economic growth. It is a venture capable of uniting the democratic forces in the task of preparing a future which will be more free and more prosperous for all Portuguese. But it is none the less true that it would have no sense if it served to aggravate Portugal's problems instead of helping to solve them.

In other words, if from many points of view the country's accession to the EC is a national necessity, Europe's solidarity with Portugal should be manifested essentially and as a matter of priority in the economic sphere, since the viability of the integration depends on the possibility of solving the country's economic problems. European in its culture, history and geography, Portugal desires to take part in the building of the future of a united Europe, but it desires also a unified Europe in which freedom is not used as a pretext to justify the profound inequalities among nations and peoples.

The entry of Portugal into the European Community presents a challenge to our imagination, to our possibilities of overcoming in the spheres of ideology, economics and politics the obstacles to the acceleration of our development process. For this reason, government and citizens, employers and employees, each playing his role, should fully accept the consequences of this integration. Moreover the enlargement is a challenge that is no less for the Community itself. The viability of the European venture and the adapting of our continent to a new rhythm of history will depend on the ability of Europe to carry out, within a larger framework, the necessary transformation of the structures of its economy. The creation of a new world economic order based on an equitable division of labour is essential if Europe is to go beyond its own inequalities. Otherwise it will not be possible to avoid a collision between industrialised and less developed countries, with the disastrous consequences it would have for both. ■

The June 1978 issue of the EFTA Bulletin contained articles on Austria's relations with the European Community, on the Swiss point of view on the "second generation" of integration problems, and on Finland's Free Trade Agreement with the EC.

Economic indicators from the EFTA countries

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

Austria

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1971 = 100	May 1978	127.9	− 1.2	+ 0.4
Building and construction	Monthly production value	mill. Sch.	April 1978	4,824.6	+16.4	+11.1
Retail trade	Volume index of retail sales	1973 = 100	April 1978	101.5	− 6.0	− 6.6
Labour	Employment index (a)	1956 = 100	May 1978	128.8	+ 0.5	+ 0.7
	Unemployment	thousands	May 1978	45.4	−23.8	+23.5
	Unemployment rate	percent of labour force	May 1978	1.6	2.1 (b)	1.3 (c)
Prices	Index of consumer prices	1976 = 100	June 1978	109.3	+ 1.6	+ 3.2
	Index of wholesale prices	1976 = 100	June 1978	104.7	− 0.8	+ 0.8
Wages	Index of wage earnings	1976 = 100	May 1978	115.8	+ 1.0	+ 4.7
Foreign trade	Imports – value	mill. Sch.	June 1978	20,788	+13.7	+ 8.6
	Imports – unit price index	1971 = 100	May 1978	135	− 0.8	− 2.2
	Exports – value	mill. Sch.	June 1978	16,629	+21.0	+21.0
	Exports – unit price index	1971 = 100	May 1978	130	− 1.5	− 2.3
Exchange rate		Schillings per dollar	31st Aug. 1978	14.35	14.7125 (b)	16.5150 (c)

Finland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1970 = 100	June 1978	124	− 8.1	+ 5.1
Building and construction	Buildings completed	mill. cub. met.	1st Qt 1978	8.36	−40.3	−11.3
Retail trade	Volume of cooperative retailing (a)	1972 = 100	March 1978	111	0.0	− 1.8
Labour	Employment	thousands	May 1978	2,073	+3.4	0.0
	Unemployment	thousands	May 1978	166.6	−10.1	+34.7
	Unemployment rate	percent of labour force	May 1978	7.6	8.5 (b)	5.6 (c)
Prices	Index of consumer prices	1972 = 100	June 1978	211.4	+ 0.1	+ 7.5
	Index of wholesale prices	1949 = 100	June 1978	721	0.0	+ 4.2
Wages	Index of wages and salaries	1964 = 100	1st Qt 1978	445	+ 0.7	+ 8.3
Foreign trade	Imports – value	mill. markkaa	July 1978	2,635	− 1.5	+8.0
	Imports – unit price index	1975 = 100	1st Qt 1978	135	+ 3.1	+16.4
	Exports – value	mill. markkaa	July 1978	2,678	− 5.1	− 5.5
	Exports – unit price index	1975 = 100	1st Qt 1978	124	− 0.1	+10.7
Exchange rate		Markkaa per dollar	4 Sept. 1978	4.078	4.127 (b)	4.036 (c)

Iceland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Fish catch	Volume	thousand tons	June 1978	44.9	− 23.2	− 3.6
Production for exports	Value	mill. Kr.	April 1978	17,321.0	+ 32.3	+ 93.9
Labour	Unemployment	number	31st May 1978	417	+ 36.5	− 5.4
	Unemployment rate	percent of labour force	31st May 1978	0.4	0.3 (b)	0.5 (c)
Prices	Index of consumer prices	1/1/1968 = 100	1st May 1978	1,167	+ 10.1	+ 43.0
Wages	Index of hourly wages	1969 = 100	1st March 1978	1,061	+ 15.0	+ 53.5
Foreign trade	Imports – value	mill. Kr.	May 1978	16,324.5	+ 29.9	+ 83.8
	Exports – value	mill. Kr.	May 1978	12,485.8	− 1.3	+ 22.4
Exchange rate		Kronur per dollar	7th Sept. 1978	306.00	260.10 (b)	206.53 (c)

Norway

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (a)	1970 = 100	June 1978	119	+ 7.2	0.0
Building and construction	Buildings completed	Thousand sq. metres	June 1978	3,353	−15.2	− 3.0
Retail trade	Index of retail sales (a)	1975=100	June 1978	135	+ 1.5	− 2.9
Labour	Unemployment	Thousands	June 1978	14.3	+ 2.9	+11.7
	Unemployment rate	percent of labour force	June 1978	0.8	0.7 (b)	0.7 (c)
Prices	Index of consumer prices	1974 = 100	June 1978	143.1	+ 0.6	+ 7.4
	Index of wholesale prices	1977 = 100	June 1978	104	0.0	+ 4.0
Wages	Index of hourly earnings (male workers)	1974 = 100	1st Qt. 1978	162	+ 1.9	+ 9.5
Foreign trade	Imports – value (e)	mill. Kr.	June 1978	4,596	−14.7	−22.2
	Imports – unit price index	1970 = 100	2nd Qt. 1978	183	+ 3.4	+ 5.2
	Exports – value (e)	mill. Kr.	June 1978	5,969	+ 2.3	+26.7
	Exports – unit price index	1970 = 100	2nd Qt. 1978	197	+ 9.4	+14.5
Exchange rate		Kroner per dollar	4th Sept. 1978	5.211	4.459 (b)	5.465 (c)

Portugal

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (f)	1970 = 100	February 1978	167.4	− 0.6	+ 8.0
Building and construction	Building permits issued	number	1st Qt. 1978	15,911	+ 3.0	+19.1
Labour	Employment	1968 = 100	1st Qt. 1978	106.3	+ 0.2	+ 0.9
Prices	Index of consumer prices in Lisbon (housing excluded)	1963 = 100	May 1978	500.5	+ 2.7	+ 9.2
	Index of wholesale prices (Lisbon area)	1963 = 100	May 1978	416	+ 2.2	+21.6
Wages	Index of wages in agriculture (men)	1968 = 100	April 1978	445.7	+ 4.9	+18.0
	Index of wages in industry and transportation (Lisbon area)	1961 = 100	1st Qt. 1978	552.7	+ 0.7	+ 8.3
Foreign trade	Imports – value	mill. Escudos	May 1978	21,990	+18.3	+31.5
	Exports – value	mill. Escudos	May 1978	9,004	+17.8	+43.5
Exchange rate		Escudos per dollar	31 August 1978	45.378	45.483 (b)	39.860 (c)

Sweden

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1968 = 100	June 1978	131	+ 2.3	− 3.7
Building and construction	Dwellings completed	thousands	May 1978	5.5	+27.9	+ 7.8
Retail trade	Index of retail sales	May 1970 = 100	March 1978	205	+12.6	+10.2
Labour	Employment	thousands	July 1978	4,260	+ 2.6	+ 1.0
	Registered unemployment	thousands	August 1978	113	+16.5	+27.0
	Unemployment rate	percent of labour force	August 1978	2.7	2.2 (b)	2.1 (c)
Prices	Index of consumer prices	1949 = 100	June 1978	468	+ 0.2	+ 9.3
	Index of producer prices	1968 = 100	June 1978	221	+ 0.5	+ 6.3
Wages	Index of direct wages in mining, quarrying and manufacturing	1947 = 100	May 1978	1,531.8	+ 2.9	+11.2
Foreign trade	Imports – value	mill. Kr.	May 1978	7,455	+ 2.3	− 0.1
	Imports – price index	1959 = 100	1st Qt. 1978	279	− 1.8	+14.3
	Exports – value	mill. Kr.	May 1978	7,986	− 7.7	+12.3
	Exports – price index	1959 = 100	1st Qt. 1978	271	+ 1.1	+ 7.5
Exchange rate		Kronor per dollar	4 Sept. 1978	4.416	5.295 (b)	4.849 (c)

Switzerland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1963 = 100	1st Qt. 1978	139	− 11.5	+ 0.7
Building and construction	Dwellings built	number	July 1978	383	− 69.0	−53.3
Retail trade	Index of retail sales	1949 = 100	May 1978	481.1	+ 3.0	+ 3.1
Labour	Employment index	3rd Qt. 1966=100	1st Qt. 1978	90.3	0.0	+ 0.8
	Unemployment	number	July 1978	7,627	− 9.6	−12.8
	Unemployment rate	percent of labour force	July 1978	0.3	0.3 (b)	0.3 (c)
Prices	Index of consumer prices	Sept. 1977=100	July 1978	101.0	0.0	+ 1.1
	Index of wholesale prices	1963 = 100	July 1978	143.0	− 0.5	− 3.6
Wages	Hourly earnings of workers	S.Fr.	1st Qt. 1978	11.46	+ 2.6	+ 2.5
	Monthly earnings	S.Fr.	1st Qt. 1978	2,677	+ 3.1	+ 2.8
Foreign trade	Imports – value	mill. Fr.	July 1978	3,301.9	− 17.0	− 5.8
	Imports – unit price index	1970 = 100	July 1978	121.8	+ 8.1	− 3.8
	Exports – value	mill. Fr.	July 1978	3,340.0	− 13.7	− 4.9
	Exports – unit price index	1970 = 100	July 1978	129.2	+ 1.3	− 1.9
Exchange rate		Francs per dollar	5 Sept. 1978	1.605	1.703 (b)	2.3955 (c)

EFTA industrial news

● The Swiss firm *Georg Fischer* (Schaffhouse) has recently brought out something entirely new in its field, known as the Monolex R. This is a drop centre disc wheel for utility vehicles, cast in one piece. MAN, the German manufacturer of lorries and buses, is already using Monolex wheels on its standard models and the Austrian firm Steyr, as well as other European manufacturers of trailers, have also decided to do so.

● The Norwegian firm *A/S Elektrisk Bureau* has signed a contract with the American company Applied Technology, the first in a series concerning deliveries of radar warning equipment. The programme, which is worth some 4 million dollars, will extend over five years and the equipment will be used by the American Air Force.

► The Central Purchasing Organization of the Swedish County Councils, *LIC* (Solna), has developed a special simulator for training ambulance personnel. It is in the form of a normal fully-equipped ambulance cab and has two plexiglass walls which permit both pupils and instructors to follow the course of events from outside. Realistic conditions are reproduced by means of sirens and traffic noises, vehicle vibration, etc. The "patient" receives details of his or her symptoms via headphones. The cab is equipped with two-way radio and communications between hospital and ambulance can be recorded and played back as desired. It is hoped that the simulator will provide an improved training which will enable ambulance staff to administer injections on the way to hospital or to give heart massage under instruction from a doctor.

◄ Two Austrian firms, *Waagner-Biro* and *Elin Union* are participating in a joint venture by Argentina and Uruguay to construct a river power station on the borders of their two countries, near Salto, with a capacity of 1600 MW. Waagner-Biro is to supply the cranes: four 350-ton power house cranes and two 150-ton power house cranes and two 150-ton gantry cranes (one of which is shown on photo). Elin-Union is to supply the electrical equipment.

● The Swiss firm of architects and engineers, *Schindler & Schindler* (Zürich), has been commissioned by the Jordanian government to draw up plans for a new town, Abu Nuseir, near Amman. The new town is destined for 40,000 inhabitants in the low and medium income bracket and the plans include all the buildings as well as the infrastructure. The Swiss proposal was chosen by virtue of its suitability for hilly ground and the quality of its town-planning. The actual construction is expected to start in two years' time.

● Geneva's *Hôtel du Rhône* (Switzerland) has just put into operation its new solar installation for producing hot water, so far the largest of its kind in Switzerland (203 m²). A substantial investment has also been made to improve the insulation of the building, particularly the windows. These two factors are expected to bring about a 25% reduction in the hotel's annual consumption of oil (700,000 litres).

● *Oy Saab-Valmet AB* of Finland has developed a prototype car whose engine, based on the Saab model, can be run on cheaper, wood-based fuels such as turpentine and paraffin thanks to the special pistons. A double-fuel system permits the use of petrol when the engine is idling or the car is heavily loaded and for starting and warming up the engine; the level of exhaust emission satisfies EEC regulations. It is proposed to launch a test series on the Finnish market in 1979. Compared with a diesel engine of the same capacity, the fuel costs are lower even though the engine is quieter and has a better acceleration.

▼ The *Eriksberg* shipyard (Gothenburg, Sweden), has just delivered to Navigazione Alta Italia SpA (Italy) the largest ship ever constructed in Sweden. The ship–the "Nai Genova»–is a 409,400 ton turbine tanker with an overall length of 381.9 metres and an aggregate capacity of 488,165 cubic metres of oil. The forebody of the ship was built in Lisbon. The Eriksberg yard will deliver a second, identical tanker to the Italian company later this year and the forebody will again be prefabricated in Portugal.

◄ A small car which runs entirely on solar energy has been put on the market by the Swedish firm *Sunvex Energi AB* (Växjö), a firm which specialises in solar energy products. It can carry two passengers and attain a top speed of 50 kilometers an hour. The prototype has eight batteries charged by a system of 502 solar cells mounted at the rear of the vehicle and on the roof. On sunny days the solar cells can generate 140 W. The car's present performance is 10 kilometres a day but it is possible to raise this to 60 kilometres, with certain modifications. The car does not emit any exhaust fumes and is said to be virtually noiseless. Sunvex has also developed other products which use solar energy, including an aluminium solar energy collector – known as Sun Strip – which can maintain the water of an outdoor swimming pool at an optimum temperature during the summer months.

● The Swiss firm of shoe manufacturers, *Bally,* has signed an agreement with the Kuwaiti Egyptian Company for Shoes and Leather Products (Cairo). The latter will manufacture Bally shoes under licence while the Swiss firm will provide technical assistance and train Egyptian specialists in the Bally works.

● A virtually childproof container for pills and other pharmaceutical preparations has been marketed by the Swedish firm *Transprodukter* (Helsingborg). The plastic container, either square or round, has no projecting parts and cannot be unscrewed. It is opened by simultaneously applying pressure to two points on the container which, because of the elasticity of the material, disengages the lock and opens the lid.

● Four Finnish companies – Neste Oy (the national oil company), Ekono Oy and Vesto Oy, the firm of consulting engineers Lohja AB and a public works firm – have combined to form *FINNCAVERN.* The group specialises in the construction and equipping of underground storage systems for oil (ports, refineries, pipelines, industrial concerns).

● An international consortium of which the Austrian firm *Andritz* (Graz) is a member is to construct a turnkey textile plant in Algeria. Andritz will be responsible for construction of the buildings, including a housing complex for 100 families, and various technical facilities, the whole being worth one million schillings to the Austrian company. Other Austrian firms will cooperate with Andritz in the production and assembly of the production shops.

● The *Valmet Linnavuori* works (Finland) are to supply eighteen diesel engines to Saudi Arabia under a contract worth one million Finnish marks. The order was placed by Philips, L.M. Ericsson (Sweden) and Bell Canada who are building an extension of the Saudi Arabian telephone system. The diesels, which will provide electricity for the accommodation villages on the site, will operate in difficult conditions: 40°C and 93% humidity. As they are to operate outside, they will be equipped with special sand filters and their sound volume will be below 85 decibels at a distance of one metre.

● A number of electronically operated weighbridges are being supplied by the Austrian firm *Schember AG* to the Syrian port of Tartous. Each weighbridge has a capacity of 100 tonnes and the total order is worth 2 million schillings. Technicians from Schember will be responsible for installing the weighbridges and putting them into operation.

● The cartography service of the Portuguese army has signed a contract with the Norwegian firm *Kongsberg Våpenfabrikk* which is to supply the army with data equipment and automatic drawing machines. The equipment will be used to produce maps of Portugal, the Azores and Madeira. The Norwegian firm also received a similar order recently from Ireland.

EFTA industrial news
(continued)

European Free Trade Association

▲ The design team at the Austrian firm *Atelier Anger* (Linz) has designed new, elegant spectacle frames (see photo) which are extremely light and comfortable to wear. Founded in 1970, the firm rapidly acquired an international reputation and now exports 90% of its production of spectacle frames.

● The Norwegian company *Fredrikstad Mekaniske Verksted* has signed a contract with the Dakar Marine company in Senegal for the construction of a floating dock. The project is worth some 14 million dollars and, under the terms of the contract, the dock should be ready for transfer to Dakar by April 1980.

● *Geissler & Pehr Ltd.* of Austria (Villach), which specialises in bitumen technology, has now marketed bitumen shingles which can be used in covering any type of roof and which are available in a wide range of colours. An order for 25,000 m² of bitumen shingles has already been received from Saudi Arabia. Geissler & Pehr also specialise in bituminous roof, bridge and pipe insulations and bituminous roadways. ■

EFTA Industrial Development Fund for Portugal
374 million escudos for five new projects

The granting of loans totalling 374 million escudos (about 8 million dollars) for five new investment projects in Portugal was approved by the Steering Committee of the EFTA Industrial Development Fund for Portugal at a meeting in Geneva on 27th June.

One of the projects is designed to attract industry to regions in Portugal with ample manpower resources but few manufacturing facilities. Empresa Pública de Parques Industriais (EPPI)–a non-profit-making public enterprise–is to create three industrial estates, at Braga, Guimarães and Covilhã, which will have the necessary infrastructure and be equipped with standardised factories for renting. EPPI will also construct and lease factories on the estates for the particular requirements of manufacturers. It is estimated that the three estates will provide about 7,500 jobs when the factories are all completed and in use.

The Fund is giving EPPI a loan of 50 million escudos under favourable conditions for part of its investment programme for 1978 and 1979.

The other loans approved by the Steering Committee at the June meeting were 80 million escudos for ORMIS (tin plate manufacturing); 125 million escudos for Fabrica de Tecidos Lionesa (textiles); 55 million escudos for SOCITREL (iron wire); and 64 million escudos for CELBI (pulp). Each of these projects involves the installation of new equipment to increase output and quality. The value of the machinery to be supplied by Portugal and the other EFTA countries for modernization of the factories owned by these companies is estimated to be 240 million escudos (5.1 million dollars).

The sum of the loans granted by the Fund in the first seventeen months of its operations was 1,472 million escudos (31.5 million dollars).

The Steering Committee had a wide exchange of views on the functioning and the achievements of the Fund. It decided to study the possibility of strengthening the Fund's activities by actions in the fields of research and development and of further training in management and export promotion.

Mr. Peter Saladin, of the Division of Commerce of the Swiss Federal Department of Public Economy, was elected chairman of the Steering Committee for the twelve months beginning on 1st July. Mr. David Olafsson, Governor of the Central Bank of Iceland, was elected vice-chairman.

Committee of Trade Experts

The Committee of Trade Experts had a variety of subjects on its agenda when it met from 12th to 15th June.

It reviewed the changes introduced by five EFTA countries in the price compensation measures which they apply in order to offset the differences in the prices at which agricultural raw materials are available for the manufacture of processed agricultural products in individual EFTA countries. The purpose of the review is to ensure, as is required by Article 21 of the Stockholm Convention, that any compensation which is given does not exceed the actual difference between the domestic prices for the raw materials concerned and the prices at which they can be bought on the world market.

In this connection the Committee began a general discussion of the principles to be applied when "standard recipes", rather than data on the actual ingredients used, serve as a basis for the purpose of calculating the appropriate compensation.

The Committee also reviewed recent developments concerning the various reciprocal recognition schemes. In particular it discussed the prospects for the participation of other countries in these arrangements, which are independent of EFTA and already cover a number of other countries. The Committee was informed by the EFTA Secretariat of the interest of the Federal Republic of Germany in the Pharmaceutical Inspection Convention.

Also on the agenda was the question of possible trade effects of the steel import surveillance systems introduced earlier in the year by four EFTA countries. The Committee concluded that these systems, which involve no quantitative restrictions, had so far had no negative effects on EFTA trade, apart from the formalities to be observed.

Free Trade Agreements

Committee of Origin and Customs Experts Interpretation of the origin rules

EFTA's Committee of Origin and Customs Experts, meeting from 3rd to 5th July, discussed a number of matters which had been on the agendas of the bilateral Customs Committees established under the Free Trade Agreements between the EFTA countries and the EEC.

At the bilateral meetings agreement had been reached on the interpretation of certain points in Protocol No. 3 (the origin rules) of the FTAS. The Committee of Origin and Customs Experts agreed that the corresponding points in EFTA's origin rules (Annex B to the Convention) should be interpreted in the same way, and invited the EFTA Council and Joint Council to accept the interpretations.

No change in the practices of the national Customs authorities follows from these interpretations which in effect codify present practices. The points concerned were the following:

– Products imported into an EFTA country under a certificate EUR.1 or a form EUR.2, and then re-exported in the same condition or after only minimal processing to the country in which they originate, are covered by the Convention when they are re-imported into that country;

– The origin rule for sets (paragraph 5 of Article 8) applies only to goods consisting of products or articles having independent or complementary uses, grouped together for the purpose of meeting a need or carrying out a specific activity, and put up in retail packaging;

– The ex-factory price may be used as the basis for deciding when a form EUR.2 can be used instead of a certificate EUR.1;

– As a general principle, preferential treatment should not be refused before the checking of the authenticity or correctness of the certificate or form has taken place but in exceptional cases preferential treatment may be refused when it is evident that the goods are of third country origin.

Negotiations between Spain and the EFTA countries Further progress at June meeting

In the seventh round of negotiations for a multilateral free trade agreement between the EFTA countries and Spain progress was achieved on the few but important issues that remained to be settled.

The negotiators were able to agree on the need for, and the form of, rules to be included which would ensure fair conditions of competition, which are indispensable for the functioning of a free trade system.

The positions of the two sides on the other questions that were still unsolved–the dynamic element, the quantitative restrictions applied by Spain, and the processed agricultural products to be covered by the agreement–were clarified at the meeting, which was held in the last week of June. An attempt was also made to bring the positions of the two sides closer to each other.

Substantial progress was also made in the bilateral talks on agriculture between individual EFTA countries and Spain.

Finally, the negotiators agreed that experts from the eight countries would meet in the week beginning 11th September with the aim of streamlining all of the many texts that had been provisionally agreed, and that a plenary session would take place in the week after that. A report on these meetings will be given in the next issue of the EFTA Bulletin.

Joint Committee meetings

There were meetings in either May or June of each of the bilateral Joint Committees established under the Free Trade Agreements between the individual EFTA countries and the EEC.

At each of these meetings there was an exchange of views on the economic situation. Almost all the EFTA countries drew attention to the size of, or the increase in, the deficits in their trade with the Community. Finland was able to report a surplus but pointed out that this improvement, and particularly the slow growth in imports which made it possible, reflected the present low level of economic activity in the country.

During the Norwegian-EEC Joint Committee meeting the Norwegian Delegation recalled the offer of its Government to arrange a European tripartite conference, as suggested by the European Trade Union Confederation, on the employment situation in Western Europe.

Despite the general economic difficulties and uncertainties, the EFTA countries stressed their commitment to free trade and their hopes for a successful outcome of the multilateral trade negotiations in the GATT.

The Free Trade Agreements were generally considered to be functioning satisfactorily. A number of the EFTA countries spoke of the difficulties experienced by the exporters of paper products, which are subject to indicative ceilings. EFTA countries also reiterated the importance of the general proposals they had put forward earlier for the improvement and simplification of the origin rules in the FTAs.

Following each of these meetings (except the Iceland-EEC one) there was a meeting of the corresponding Joint Committee with the ECSC in which the situation in the steel market was discussed. There was also a review of the working of the arrangements agreed bilaterally earlier this year between each of the six steel producing countries in EFTA on the one hand and the ECSC on the other. The arrangements involve no quantitative restrictions on the import of steel products from the EFTA countries into the Community but are intended to stabilise the prices at which steel products enter the Common Market. ■

Letter to the Editor

Solar energy in Switzerland

The article on solar energy in Switzerland in the June issue of the EFTA Bulletin prompted Mr. F. Pollak, of Limpley Stoke, Bath, England, to raise a question. His letter, and the reply from the author, Mr. R.E. Müller, who was recently appointed Energy Counsellor in the Swiss Embassy in Washington, are given here.

Dear Sir,

I read with interest the article on Solar Energy in Switzerland which appeared in the EFTA BULLETIN, Volume XIX, June 1978.

I feel however that taking the published data to a conclusion one can be either disappointed if one is in the oil-business or elated at the imminent solution to the energy problem.

To cover 0.5% of Switzerland's requirements requires 1 km² of solar panels;

To cover 100% of Switzerland's requirements requires therefore 200 km²;

This would be a relatively small area of Switzerland.

On the other hand if one considers the solar station shown on page 20 of the Bulletin which covers say 0.40 km² and generates 100 000 KW this would mean that 200 km² would generate say 50 000 000 KW and although I am unaware of Switzerland's energy requirements, this seems to be a considerable figure.

I wonder therefore whether the data published are really relevant or on a similar basis as a recent British television programme entitled "Spaceships of the Mind".

Please enlighten me.

Yours sincerely, F. Pollak

Dear Mr. Pollak:

Global speculations about new energy sources can be misleading. For this reason I am very glad to answer your excellent remarks.

It is possible to cover 0.5% of Switzerland's energy consumption, using 1 km² of solar panels. But you cannot extrapolate up to 100%. Why? Consider the limits: Today's solar panels can produce only hot water and electricity. You cannot install panels on every roof, especially not in down-town areas with high population density nor on the north slopes of the mountains. Using solar energy in a large amount will increase your storage and transmission problems considerably. The transportation sector is not so easily convertible to solar energy as, for example, the hot water production for one-family houses.

A solar power station generating 100 MWe (peak load) will cover about 1.2 km². Assuming 1700 hours of sunshine it will produce 140 GWh. Possible sites in Switzerland have been estimated, and only a total of about 50 km² seem to be useful, considering shadows, accessibility, forests, protected parks etc. Opposition against solar power sites is not included in this estimation. Even in this optimistic case these solar power stations in Switzerlannd could not cover more than 15% of the installed electric power production of 1976. This could be very helpful, but it is not the imminent solution of the energy problem.

Data published in my article are relevant, but you have to be careful to draw any global conclusion. The limits to growth also apply to solar energy.

Sincerely yours, R. E. Müller

Book review

Public Assistance to Industry: Protection and Subsidies in Britain and Germany. Edited by W.M. Corden and Gerhard Fels for the Trade Policy Research Centre, London, and the Institut für Weltwirtschaft, Kiel. The Macmillan Press, 1976. 233 pages. Price £10.00.

This volume pulls together several papers produced by the research institutes that collaborate in this book. Its title "Public Assistance to Industry" covers not only outright financial assistance by governments but also the impact of tariffs and other import protection. These papers deal basically with three topics, i.e. effective protection for industry in the two countries concerned, overall assistance to industry in Germany and financial assistance to British industry and, finally, there are two papers on the protection of the German and British textile industries. Two papers by the editors attempt to summarize the impression of the research.

Although this volume deals with a highly technical subject normally only of interest to the specialist, it contains many items of interest to the layman. The study on protection of industry in Germany argues, for example, that effective tariff protection for West German industry is considerably higher than nominal tariff rates would indicate. Against countries outside the European Community* such protection is increasing in recent years, with raw material and/or labour intensive industries benefiting most from the discrimination against foreign suppliers. For Britain, it is concluded that effective tariff protection tends to escalate with the stage of processing, with investment and consumer goods being the most heavily protected sectors.

Attempts to quantify the overall assistance to German industry, including tariff protection, come to the cautious conclusion that a cut in such assistance to raw material intensive industries could affect relatively capital-intensive, high-income, slow-growth industries which employ more foreign but fewer female workers, whereas a cut directed against labour-intensive industries could affect industries with relatively low levels of human capital, income and productivity, but with relatively high growth prospects. The chapter on financial assistance to British industry is also of interest, since it presents both a summary survey and assessment of the impact of the widespread government assistance schemes and industrial initiative given to British industry by the government in recent years. The study is rather critical of the British record, maintaining that "industrial policy in the United Kingdom since 1960 can only be characterised as incoherent... There have been bewildering policy innovations, revisions and reversals, partly but by no means entirely related to differences of political ideology between the rival governments".

The two papers on the textile industries of Germany and Britain both reflect the relatively high level of protection that these industries enjoy. It is made evident that the special measures of both governments to help the textile and clothing sector, by imposing tariffs, import quotas and, in the case of Britain, special assistance has not succeeded in preventing the decline of the textile and clothing sector in either country, in terms of output or employment.

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* The studies on effective protection were concluded before the Free Trade Agreements between the EFTA countries and the EC came into full effect on 1st July 1977.

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☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

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☐ **An Examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

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☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Seventeenth Annual Report of EFTA.** July 1976-June 1977. *English, French* and *German.*

☐ **EFTA Annual Reports 1967 to June 1976.** *English, French* and *German.*

☐ **First Annual Report of the EFTA Industrial Development Fund for Portugal.** April 1978. *English* and *Portuguese.*

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German.* (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

☐ **Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.** (1970). Bilingual *English-French, German, Italian.*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972). Bilingual *English-French.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

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☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel** (1978). *In stencilled form in English.*

Brochures published under the auspices of the Pharmaceutical Convention:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture and Analysis under Contract.** Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German.*

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers prsented at a seminar held in Copenhagen, June 1975.

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg, June 1976.

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EFTA trade deficit halved in first six months of 1978 – Economic situation in the EFTA countries – Spain's economic prospects in the light of its efforts towards integration – Meeting of EFTA's Committee of Members of Parliament

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EFTA trade in the first half of 1978

Trade deficit halved

The trade statistics for the seven EFTA countries in the first six months of this year show a rise of 8.7 per cent in the dollar value of their total imports, a rise of 20.8 per cent for exports, and a halving of their combined trade deficit, in comparison with the first half of 1977. The deficit, which totalled 3,572 million dollars, is the smallest since 1973.

It is normal for the EFTA countries to incur deficits in their merchandise trade in most years. But in the first six months of the year the trade balance of two EFTA countries–Finland and Sweden–shifted from deficit to surplus, Finland recording its first January-June surplus since EFTA was established and Sweden its first since 1974.

Of the other EFTA countries, Norway achieved a substantial reduction in its trade deficit–to the lowest level since 1973–and both Austria and Switzerland reported slight decreases in their trade deficits. The foreign trade of Iceland and Portugal, on the other hand, resulted in higher deficits in the first half of the year.

Generally restrictive demand management policies were among the main reasons for the slower growth in imports in almost all the EFTA countries. Both Norway and Sweden reported reductions in the dollar value of their imports, and there was virtually no change in Finland's total import bill. There were increases in imports ranging from 14.2 to 16.8 per cent in Austria, Iceland and Portugal, and a 34.0 per cent rise in the case of Switzerland.

An increase in the rate of growth of the dollar value of exports was re-

Table 1 Trade balances of the EFTA countries (in million US dollars)

	1973		1974		1975		1976		1977		1978
	Jan.-June	Year	Jan.-June	Year	Jan.-June	Year	Jan.-June	Year	Jan.-June	Year	Jan.-June
Austria	−897	−1,749	−988	−1,862	−1,040	−1,874	−1,396	−3,016	−1,986	−4,421	−1,830
Finland	−310	−504	−515	−1,325	−1,213	−2,115	−471	−1,051	−144	+58	+245
Iceland	−13	−67	−80	−186	−96	−179	−23	−66	−34	−96	−56
Norway	−617	−1,539	−1,133	−2,146	−1,897	−2,479	−1,531	−3,190	−2,179	−4,162	−764
Portugal	−261	−1,114	−656	−2,190	−975	−1,892	−973	−2,404	−1,329	−2,932	−1,555
Sweden	+957	+1,529	+29	−504	−251	−395	−1	−697	−554	−1,031	+819
Switzerland	−1,013	−2,096	−1,403	−2,511	−580	−345	+116	+73	−497	−361	−431
EFTA	−2,154	−5,540	−4,746	−10,724	−6,052	−9,279	−4,279	−10,351	−6,723	−12,945	−3,572

Table 2 EFTA trade in the first half of 1978 (with rise or fall (–) from the first half of 1977)

	EFTA				EC				USA				Eastern Europe				Rest of world				World			
	Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)		Exports (f.o.b.)	
	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria	685.3	7.8	721.7	11.9	4,896.2	16.6	2,960.5	30.6	245.4	24.2	190.2	43.4	668.9	8.1	787.9	19.4	1,037.3	9.7	1,042.6	15.2	7,533.1	14.2	5,702.9	23.7
Finland	821.3	2.2	866.2	0.8	1,364.6	2.2	1,547.8	13.8	182.3	-2.5	173.2	11.7	786.1	-4.9	807.7	18.9	534.5	-9.6	539.1	18.5	3,688.8	0.6	3,934.0	11.7
Iceland	71.5	28.1	35.9	4.4	151.8	16.1	88.4	17.6	24.3	26.6	83.4	27.3	35.5	-14.5	23.5	-44.0	45.9	29.3	41.4	29.4	329.0	16.4	272.6	9.4
Norway	1,529.8	7.3	700.6	-10.6	2,658.1	-6.2	3,375.4	39.2	403.6	5.4	258.8	31.4	164.2	-29.4	115.3	8.6	1,197.2	-19.8	738.8	9.3	5,952.9	-6.5	5,188.9	23.9
Portugal	225.9	21.6	141.7	0.1	1,188.4	13.5	655.5	29.7	351.4	77.3	81.2	20.3	88.1	18.3	30.8	-41.2	842.6	4.9	232.2	9.1	2,696.4	16.8	1,141.4	16.5
Sweden	1,553.6	-5.5	2,192.5	0.5	5,033.3	-3.2	5,030.6	11.9	724.0	-2.8	649.4	28.9	466.3	-19.2	486.3	4.0	1,896.0	-7.1	2,132.9	6.4	9,673.2	-5.2	10,491.7	8.7
Switzerland	799.0	30.1	1,033.2	17.1	7,646.5	37.5	5,159.6	40.7	821.1	43.7	753.9	48.6	396.7	62.4	495.5	32.6	1,628.0	13.0	3,418.6	36.7	11,291.3	34.0	10.860.8	36.9
EFTA	5,686.4	6.0	5,691.8	2.7	22,938.9	13.0	18,817.8	27.2	2,752.1	19.6	2,190.1	34.5	2,605.8	2.7	2,747.0	15.4	7,181.5	-2.3	8,145.6	20.0	41,164.7	8.7	37,592.3	20.8

ported by all EFTA countries except Finland and Iceland. The biggest export gains were realised by Switzerland, whose foreign sales rose by 36.9 per cent in value, and by Norway (+ 23.9 per cent) and Austria (+23.7 per cent).

These figures are of course distorted by the fluctuations that have occurred in the foreign exchange markets, and it is relevant that the currencies of Switzerland, Austria and Norway have appreciated more (or depreciated less) than those of the other EFTA nations. In the first half of this year the exchange rate of the Swiss franc, weighted in relation to the currencies of its principal trade partners, was 23.7 per cent higher on average than in the first half of 1977. On the same basis the Austrian schilling had appreciated by 11.7 per cent, and the Norwegian krone had declined in value by only 1.5 per cent.

A regional breakdown of the trade statistics (expressed in dollars) shows a very small increase in intra-EFTA trade, a big rise in trade, in both directions, with the EC, and an even bigger growth in trade with the United States. Imports from Eastern Europe were a little higher than a year earlier and imports from the rest of the world fell slightly, while exports to both of these "areas" were fairly close to the average for total EFTA exports.

The graph on page 5, which is based on three months' moving averages of seasonally adjusted figures, shows that the total exports of the EFTA countries changed little in the first few months of 1978 but then began to rise again. The upturn in the value of sales to the EC–which accounts for half of the total trade of the seven countries–is particularly marked. Total imports were falling slightly in the first few months of the year but had then begun to rise again.

Intra-EFTA trade

In terms of exports, the trade between the EFTA countries rose by only 2.7 per cent in value in the first half of this year. The reduced level of demand in Sweden and Norway–the two largest markets for intra-EFTA trade–was the main reason for the slow growth. But Switzerland increased its exports to its partners by 17.1 per cent and its purchases from them rose by as much as 30.1 per cent in value. The figures for the Association as a whole suggest that exporters in the EFTA countries are benefitting more from demand in the EC, now that the duties on almost all industrial products imported from EFTA have been removed.

Trade with the EC

One sign of this is that for the first time the EC accounts for as much as 50 per cent of all EFTA exports. In the first half of this year sales to the Community rose by 27.2 per cent, which was well above the average for EFTA trade as a whole. Exchange rate fluctuations play a part here also, when the values are stated in dollars, but there was an increase of 40.7 per cent in Swiss exports to the EC, of 39.2 per cent in Norwegian exports and of 30.6 per cent in Austrian exports. The smallest rate of increase was 11.9 per cent, which was the Swedish figure.

The growth of imports from the EC into EFTA was smaller–13.0 per cent for the seven countries combined. Switzerland provided the most expansive market for the EC, increasing its imports by 37.5 per cent in value; and at the other extreme imports from the EC into both Norway and Sweden were smaller than in the first six months of 1977.

Trade with the USA

The EFTA countries increased their exports to the USA by 34.5 per cent in value, which was the biggest rate of growth for any of their main markets. The higher rate of economic expansion in the United States was one of the chief reasons for this. In this case also the biggest increases were reported by the countries with the strongest currencies–Switzerland, Austria and Norway. Iceland, whose currency depreciated most in relation to the dollar, increased the dollar value of its exports to the US by 27.3 per cent, only slightly less than the average for the EFTA countries.

Trade with Eastern Europe

By contrast with the first half of last year, when EFTA's imports from Eastern Europe grew much more sharply than its exports, there was a rise of 15.4 per cent in exports to Eastern Europe in the first six months of this year and a rise of only 2.7 in imports from that

Table 3 Intra-EFTA trade in the first half of 1978 *(Exports (f.o.b.) with rise (+) or fall (−) from the first half of 1977)*

Importer	Austria		Finland		Iceland		Norway		Portugal		Sweden		Switzerland		EFTA	
Exports (f.o.b.)	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%	$ mill.	%
Austria			45.3	–1.7	1.4	55.6	64.9	0.6	24.5	13.4	153.4	–19.5	432.2	34.4	721.7	11.9
Finland	27.5	–6.1			6.0	39.5	190.9	13.4	8.1	–27.0	563.6	–5.8	70.1	14.2	866.2	–0.8
Iceland	0.1	0	6.8	23.6			5.2	–20.0	4.9	–44.9	8.0	–9.1	10.9	131.9	35.9	4.4
Norway	26.6	–4.3	95.2	–2.9	23.1	15.5			20.9	–19.0	493.8	–13.9	41.0	5.4	700.6	–10.6
Portugal	12.0	0.8	11.4	–27.4	1.0	25.0	24.2	–8.0			52.2	–11.2	40.9	45.6	141.7	0.1
Sweden	129.1	–8.7	597.8	–1.7	29.4	55.6	1,170.4	–1.6	62.0	9.7			203.8	23.0	2,192.5	0.5
Switzerland	524.9	22.9	74.3	8.3	3.1	34.8	104.6	0.4	90.2	14.9	236.1	16.9			1,033.2	17.1
EFTA	720.2	13.0	830.8	–1.4	64.0	35.6	1,560.2	0	210.6	4.1	1,507.1	–7.6	798.9	28.8	5,691.8	2.7

Table 4 EFTA trade in April, May and June 1978
(Seasonally adjusted three-months moving averages in million U.S. dollars)

	EFTA						EC						USA						World					
	Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)			Imports (c.i.f.)			Exports (f.o.b.)		
	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June
Austria	112.4	111.8	118.9	124.0	119.8	127.0	805.8	817.2	875.1	474.6	477.6	527.2	43.9	38.7	41.8	32.3	32.6	33.5	1,251.0	1,261.1	1,315.0	954.5	935.8	999.4
Finland	133.4	146.1	144.4	146.8	154.0	165.0	230.9	247.8	243.0	264.5	282.1	284.5	29.2	34.1	34.4	37.8	36.5	36.0	661.2	709.3	683.9	730.9	723.8	740.9
Iceland	11.5	12.6	12.9	8.8	5.9	4.3	27.2	25.8	26.3	16.8	14.2	13.6	5.7	4.5	5.2	13.4	14.5	17.4	59.4	56.7	56.3	47.4	37.9	41.6
Norway	278.1	312.7	311.8	116.2	125.2	130.2	446.2	441.3	453.3	427.1	629.6	748.0	62.2	63.4	70.9	42.4	51.4	52.5	1,014.9	1,060.1	1,052.3	735.1	951.8	1,062.6
Portugal	42.0	37.8	37.6	22.1	23.4	25.3	177.4	180.1	197.8	105.6	108.3	111.2	86.1	58.3	57.7	14.1	13.9	14.0	445.7	429.9	451.1	183.3	193.3	199.6
Sweden	255.6	267.7	271.8	388.7	394.7	405.0	791.3	812.2	863.0	810.8	818.7	856.1	116.5	112.6	110.1	101.3	95.0	100.3	1,541.8	1,557.1	1,613.2	1,738.1	1,758.0	1,801.3
Switzerland	139.0	139.3	141.1	169.2	167.3	177.1	1,252.0	1,270.6	1,328.8	835.1	848.0	887.0	123.8	137.2	142.6	136.9	135.5	135.7	1,850.9	1,890.8	1,963.3	1,810.6	1,805.8	1,887.1
EFTA	972.0	1,028.0	1,038.5	975.8	990.3	1,033.8	3,730.8	3,795.0	3,987.3	2,934.5	3,178.5	3,427.8	467.4	448.8	462.7	378.2	379.4	389.4	6,824.9	6,965.0	7,135.1	6,199.9	6,406.4	6,732.5

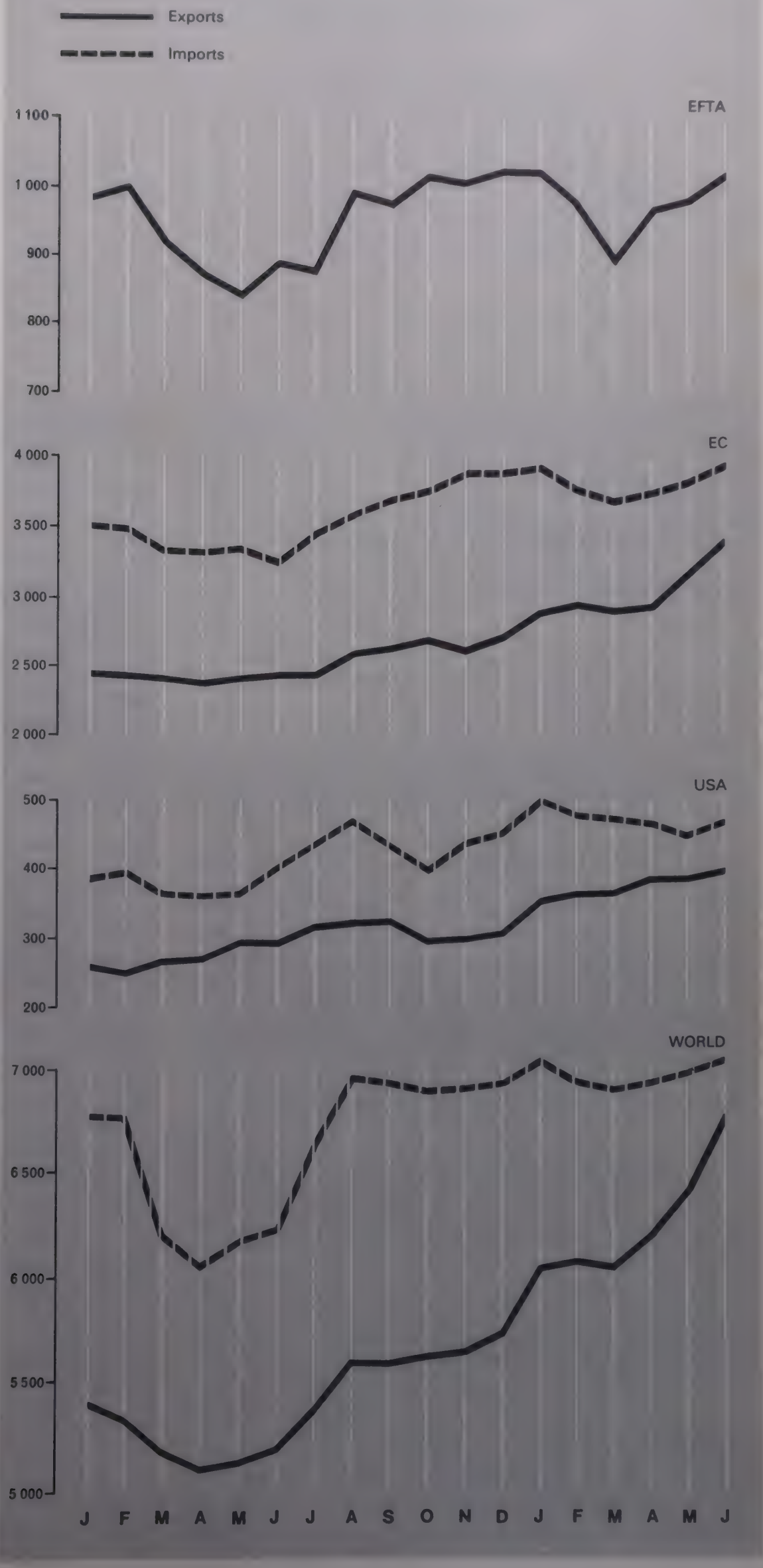
area. Austria and Finland are the EFTA countries which do most trade with Eastern Europe. Both reported much higher sales in January-June 1978 although the increase was less than the 32.6 per cent rise reported by Switzerland. The import figures were affected by the sharply reduced demand in Sweden, Norway and Iceland. On the other hand, Swiss imports increased by as much as 62.4 per cent and Portuguese imports by 18.3 per cent.

Trade with the rest of the world

All EFTA countries increased their exports to the rest of the world, the total increase being 20.0 per cent or almost exactly the same as the rise in EFTA's exports to all destinations. Imports into EFTA from the rest of the world fell by 2.3 per cent, partly because of the reduced demand in Finland, Norway and Sweden. ■

EFTA trade from January 1977 to June 1978

Three months' moving averages of seasonally adjusted figures, in million US dollars



Economic situation in the EFTA countries

Austria: Mild upturn in economic activity

The general tenor of Austria's economic policy has changed during the past twelve months. The slow growth of the world economy had led to a slower growth in Austria's exports in 1977 and by the middle of that year it was thought that there was only a very limited scope for satisfactory export growth in 1978 and that it was essential to reduce the balance of payments deficit. The corrective measures taken by the authorities became effective at the beginning of 1978 and resulted in some reduction in the growth of domestic demand in the first months of 1978. But this was to some extent offset by an unexpectedly large growth in foreign demand, both for exports and for tourist services.

The general downturn changed in the course of the summer into a mild upturn, with domestic demand rising slowly, and with the growth in foreign demand expected to slacken for the rest of the year. Real GNP is estimated to have increased by only 0.5 per cent in the first quarter of 1978 compared with the corresponding quarter of last year, but a small acceleration to 1.8 per cent was recorded in the second quarter. For 1978 as a whole a rise in real GNP of 1½ per cent is forecast. The current account deficit has been sharply reduced and should continue to develop favourably for the rest of the year.

Following a rise of 8.4 per cent in domestic demand in the fourth quarter of 1977 there was a sharp fall in the first two quarters of 1978. In the first quarter domestic demand was 0.6 per cent and in the second quarter 0.9 per cent less than a year earlier. Most of the reversal is attributable to changes in private consumption which had expanded very rapidly towards the end of 1977, partly in anticipation of the demand-restraining measures which took effect at the beginning of this year. Private consumption, which rose by 9.6 per cent in the fourth quarter of 1977, fell by 0.7 per cent in the first quarter of this year and by 2.3 per cent in the second quarter (both against the corresponding quarters of the previous year). Public consumption, however, has increased at a virtually even rate of 2 per cent from quarter to quarter.

After rising strongly in the second half of 1977, investment fell in the first half of 1978, probably mainly in response to the weakness of domestic consumer demand at a time of excess capacity in many branches of industry. The fall was largely concentrated on equipment, which had increased especially strongly in the second half of 1977, partly in anticipation of the demand measures applying from the beginning of 1978; investment in transport equipment was thus especially heavy in the second half of 1977. The general fall in equipment investment in the first half of 1978 was, however, greater than could be explained by this demand shift alone. Construction investment developed more evenly, although its growth has levelled off since the beginning of this year.

After a decline in stocks in the last two quarters of 1977, a strong rebuilding of inventories took place in the first quarter of this year, which continued at a slower rate in the second quarter. This stock cycle was probably largely a reflection of the demand wave over these four quarters and was strongly concentrated on stocks in the trade sector.

There has been a big rise in the volume of exports of goods and services in the first half of 1978. Export trends in the course of 1977 seemed to indicate that exports could weaken further in 1978, but in the first quarter of this year there was a 7.5 per cent increase and in the second quarter one of 9.9 per cent. The volume of imports, on the other hand, in the first half of 1978 was only 1.3 per cent higher than a year earlier.

Total industrial production was already slackening in the second half of 1977 and in the first quarter of 1978 it was 0.7 per cent less than a year earlier. A rise of 1.7 per cent was recorded in the second quarter, but for the remainder of this year industrial production is expected to remain weak. At mid-year it was forecast that it would increase by only about one half per cent for the year as a whole. Most sectors of the economy recorded production increases in the first two quarters of this year. Exceptions are wholesale and retail trade and agriculture and forestry.

Official forecasts at the beginning of this year estimated that the average unemployment rate in 1978 would be about 2½ per cent, as compared with 1.8 per cent for 1977. Developments in the first half of this year in fact show a better trend. Seasonally adjusted, unemployment was 2.0 per cent in the first quarter and 2.1 per cent in the second quarter, and it is expected to average 2 to 2½ per cent for the year as a whole. Industrial employment has fallen in the course of the year, but employment in the services sector has

expanded more than expected. A reduction in the number of foreign workers has also taken place. The growth in total employment is still slackening.

In the first half of 1977 wage agreements were concluded with the principal workers associations in the economy. Before the negotiations began the authorities had indicated that the decline in Austrian export competitiveness and the required restraint in domestic demand should lead to moderation in wage claims. The wage agreements concluded so far in 1978 have broadly followed the request of the authorities and the increase in wage rates has been less than in 1977.

The rate of inflation has slowed down considerably, and at the end of July prices were only 3.0 per cent higher than a year earlier. The reduction was mainly the result of a levelling off of import prices, a slackening in price rises for services and only marginal increases in official charges. At the middle of this year it was forecast that consumer prices would rise by an average of 3¾ per cent in 1978, but it now seems likely that an even lower rate of inflation can be achieved.

The deterioration in the balance of payments in 1976 and 1977 was the main reason for the more restrictive policy measures applied from the beginning of this year. Early this year it was expected that the current account deficit would be cut from 49.1 billion Austrian schillings to 38.6 billion schillings in 1978. The figures for the first seven months of this year indicate, however, that the reduction in the deficit may be greater than forecast. For the first seven months of 1978 the current account deficit amounted to A.S. 9.1 billion, compared with A.S. 21.9 billion in the corresponding period of the previous year. Of the A.S. 12.8 billion improvement in the trade balance over this period A.S. 5.5 billion are due to higher exports, A.S. 2.8 billion to lower imports and A.S. 3.5 billion to a higher surplus on net services. mainly because of improved net tourist receipts.

In the first half of 1978 the total value of exports was 5.3 per cent higher than in the corresponding period in 1977 but, since export prices fell slightly, there was an increase of 11.2 per cent in the volume of exports. Imports fell by 2 per cent in value but in volume terms there was an increase of 1.3 per cent. The terms of trade are estimated to have deteriorated by 1½ per cent in the first six months of this year, compared with the corresponding period in 1977. ■

Finland: Improvement in industry's competitiveness

After growing by only 0.4 per cent in 1976 and 1977, Finland's real gross domestic product is now expected to rise by 2½ per cent this year and by 3½ per cent next year. These figures are, however, still below the 5 per cent average growth rates recorded before the international slow-down started, and the volume of industrial production is still less than in 1974. Both weak exports and slack home demand have contributed to this development, with domestic demand to some extent restrained by the government's policy, which has aimed at improving the external balance and reducing inflation. This year the considerable improvement in the competitive position of Finnish industry, which has resulted in greater business profitability, has helped to stimulate industrial production which in the first half of the year was 4 per cent higher than a year earlier.

Production in the wood working and paper industries has increased, partly because stocks had reached normal levels. Production has also increased in the chemical, textile, clothing and food industries. On the other hand, the order books of the metal industries have continued to shrink and continued weak investment activity both in Finland and abroad is likely to mean that production in metal and metal manufacturing industries will remain relatively low.

Economic growth has not been fast enough to improve conditions in the labour markets and unemployment has remained at more or less the same level as last year. At present it is expected that the average number of unemployed in 1978 will be 172,000 persons, about 7.6 per cent of the labour force. In 1979 the unemployment rate is expected to exceed 8 per cent, because the increase in demand for labour is expected to be less than the number of new entrants to the labour force.

One of Finland's major problems in recent years was that the rate of inflation had exceeded that in the competitors' countries. Last year consumer prices rose by 12.7 per cent. But from August 1977 to August 1978 consumer prices increased by only 5.6 per cent and the increase in consumer prices is now lower than that in many other European OECD countries. Because of moderate incomes agreements unit labour costs are likely to rise only slightly this year and real wages are likely again to fall somewhat, in spite of some tax concessions which should result in a rise in households' disposable incomes.

Private consumption has shown some signs of recovery. One reason for this is the fall in the average total tax burden from a peak of 41.5 per cent of income to around 39 per cent. The forecast for the real growth of private consumption in 1978 is 1½ to 2 per cent. Public consumption is forecast to rise much faster–by 4½ per cent–mainly because of expendi-

tures connected with schemes to reduce youth unemployment.

The slackness in investment demand is expected to continue over the near future. Real investment fell by 4.6 per cent last year and this year it is expected to fall by a further 3 per cent. Public investment is, however, forecast to rise a little. It is believed that production capacity utilization in the first half of this year was only 79 per cent compared with 90 per cent in 1974. Capacity utilization is expected to improve slightly in the second half of this year, mainly as a result of increasing output in the wood working industries. But in the metal and engineering industries it is expected to fall further at least until the end of 1978.

Because of the improved competitive situation of Finnish industry, exports have again increased, the value of commodity exports in the first half of 1978 being 19 per cent higher than a year earlier. The rise in export volume was about 8 to 10 per cent. Deliveries of sawn wood and pulp and paper rose considerably, but exports of iron and steel also increased.

The value of commodity imports in the first half of 1978 rose by only 6 per cent and the import volume fell by 6 to 8 per cent. Imports of investment goods have remained slack, but imports of raw materials and semi-manufactures have risen because of the growth in industrial production. As a result of the devaluation of the Finnish markka import prices have increased more sharply than domestic prices and for the whole of 1978 the terms of trade are likely to deteriorate.

The current account of the balance of payments has improved this year. In the first half of 1977 the current account deficit was Markka 1,261 million, while this year a surplus of Markka 463 million was recorded. ■

Iceland: Inflation rate rising again

Unlike most Western European countries, the Icelandic economy enjoyed boom conditions and full employment in 1977. Real GNP rose by 4.8 per cent and since the terms of trade improved the rate of growth of real gross national income amounted to 7.9 per cent. This sharp increase in real gross national income (GNI) was the main source of an excessive pressure of demand in the domestic economy which did much to accelerate wage and price increases. Early this year the Trade Union Federation, which represents most unions outside the public sector, reached a wage agreement providing for very large increases plus the restoration of full compensation for future price increases. The pace of inflation, which had dropped to 25 per cent by the middle of 1977, began to rise again. This created severe cost pressures in most areas of business, particularly in the export sectors including fisheries. Recently government measures have been taken to deal with this problem.

In 1978 real GNP is expected to rise by some 3 per cent, and since no marked improvement in the terms of trade is expected real GNI will most probably rise at about the same rate. Unemployment has remained below 0.5 per cent so far this year.

In 1978 the fish catch has not developed as favourably as last year. In the first half of this year the catch amounted to 782,000 tons, which is 76,000 tons less than in the corresponding period of last year, chiefly because of a less successful spring capelin season. Export prices of fish products, which rose appreciably in the course of 1977, are no longer rising and for several products, especially fish meal, have fallen. Moreover, most of Iceland's exports are quoted and sold in dollars, whereas about two-thirds of imports are invoiced in European currencies, many of which appreciated against the dollar. It is, however, expected that in 1978 the terms of trade will remain roughly stable or perhaps improve marginally.

In 1978 the volume of domestic demand, which last year rose by about ten per cent in real terms, is forecast to remain largely unchanged, and an estimated 5 per cent increase in real private consumption is expected to be offset by a decline of about 3 per cent in real gross fixed capital formation. The fall in investment is mainly due to the fact that investment in large power projects is declining sharply in 1978.

The substantial expansion of domestic demand in 1977 was to a considerable extent reflected in a rise in imports. Thus despite the favourable development of exports there was a slight deterioration in the current account balance to 9.7 billion kronur (about 48 million dollars), equivalent to some 2.8 per cent of GNP. For the first half of 1978 only trade figures are as yet available. These show that in constant exchange rate terms there has been a 10 per cent increase in total imports, a 13 per cent rise in general imports and a 4.3 per cent rise in exports. The trade deficit amounted to about 8 billion kronur, compared with 4 billion in the first half of 1977. The outlook for the remainder of 1978 is that total imports will slacken in view of the 15 per cent devaluation at the beginning of September. There is some uncertainty about exports, since stocks of saltfish for shipment to Portugal may not be sold, due to the difficulties of that country. Other major markets for Icelandic fish products appear at present to show satisfactory demand develop-

ments. Official estimates for the current account deficit for 1978 are about 4 to 8 billion kronur (0.8 to 1.6 per cent of estimated GNP).

Inflation has long been one of Iceland's most intractable economic problems. In the 'sixties Iceland had an inflation rate of about 12 per cent (as measured by consumer prices), but in 1973 the rate increased to about 25 per cent and peaked at 50 per cent in 1975. In 1976 the rate was reduced to 34 per cent and by the middle of 1977 it had declined to 25 per cent (at an annual rate). Since then a resurgence of inflation has taken place, so that in August 1978 prices were 51.5 per cent higher than a year earlier.

The resurgence in inflation in the latter half of 1977 and in 1978 was associated with sharp wage increases in the course of 1977. In the spring of that year the unions of the Trade Union Federation concluded a frame agreement which provided for immediate wage increases averaging about 28 per cent, with subsequent step-by-step increases in wages and gradual restoration of full index compensation in the course of the year. Public employees agreed on a salary contract late in 1977 which provided for somewhat higher basic salary increases. The impact of these two agreements was reflected in an average 44 per cent increase in wage and salary rates in 1977, compared with 26 per cent in the previous year. In 1978 the interaction between wage and price increases along with two previously arranged increases in basic pay have continued to raise money wages at a fast rate. By the third quarter of 1978 wage and salary rates for the labour force as a whole were estimated to be 58-60 per cent above the 1977 average. It was originally estimated that money wages and salaries would rise by 50 to 52 per cent in 1978 on average, but policy measures introduced at the beginning of September 1978 will probably reduce this to 46 to 48 per cent. ■

Norway: Unemployment below 1 per cent

The rise in Norway's real GNP last year was 4.1 per cent and the rate of growth is expected to be roughly the same in 1978. This is to be compared with an average of 4.7 per cent in the 1970s. Excluding oil activities and shipping, the growth is much lower: 3.5 per cent in 1977 and a forecast 1.2 per cent this year.

The relatively satisfactory rate of growth last year was primarily due to rises in consumption and continuing investment in the oil sector. Even though the rise in private consumption decelerated towards the end of the year, it amounted to 6.2 per cent for 1977 as a whole with the largest increase in purchases of motor cars. This reflected the rise in the real disposable income of households. But for several years the increase in private consumption had shown a faster rate of growth than real disposable income because of the greater use of credit and hire-purchase financing of consumer goods. In 1978 private consumer demand is expected to rise by only 2 per cent. In the first half of 1978 the retail sales volume was 4.2 per cent lower than a year earlier. Seasonally adjusted data indicate a sharp fall in retail sales in the first quarter of this year and little change in the second quarter.

Real gross fixed investment is expected to fall by 12.7 per cent in 1978, following a 1.3 per cent increase in the previous year. The main reductions this year are in the shipping and oil sectors. Other industrial investment is forecast to rise only marginally in 1978, following a substantial increase in 1977. Much of the change between the two years is attributable to the completion in 1977 of the petrochemical plant at Rafsnes.

A survey of industrial investment intentions carried out by the Central Statistical Bureau last May concluded that industrial investment could well be lower in 1978 than last year. Investment in power generation, which is largely determined by the government, could rise substantially. Statistics on housebuilding indicate that activity in this sector has fallen somewhat.

Industrial production has fallen a little during 1978. The seasonally adjusted index for industrial production was 2 per cent lower in March-June of this year than in the preceding four-months period. Production for exports increased in March-June this year after having declined steadily from the beginning of 1977. Between March-June 1977 and the same period in 1978 there was a 1.4 per cent fall in the volume of industrial production if oil and natural gas are excluded, but including these sectors there was an increase of 13 per cent. There appears to have been a slight expansion in some services sectors, especially public and private services, banking and finance and commerce.

In the middle of 1977 there were signs of a tightening of the labour market which remained relatively tight during the first seven months of this year. In July 1978 unemployment, at 14,400 persons, was only 0.9 per cent of the labour force.

Wages, including wage drift, rose by 12 per cent in 1977, a somewhat lower rate than in 1976. The comprehensive wage settlement of May 1978 established that money wages should rise this year by only 1.4 per cent on average. In the second quarter of 1978 hourly earnings in manufacturing were about 7 per cent higher than a year earlier.

The revised National Budget of last April estimated that Norway's traditional exports would fall by 3 per cent,

implying a further loss in market shares this year after an 8 per cent loss last year. The downward revision was based on the poor prospects for demand in Norway's export markets. In volume terms merchandise exports (excluding ships, oil platforms, crude oil and natural gas) reached a low in the last quarter of 1977 (on a seasonally adjusted basis) but since the beginning of 1978 there has been an increase. There was a moderate rise in the volume of exports in the first quarter of this year followed by a stronger increase in the second quarter. Prices of traditional exports in Norwegian kroner have been no higher in the second quarter of 1978 than a year earlier despite the devaluation of the krone.

In April 1978 it was estimated that crude oil and natural gas exports would reach N.Kr. 15 billion in 1978. This was less than forecast earlier, with the reduction partly due to production difficulties in the Ekofisk area.

The demand for merchandise imports (excluding ships and oil platforms) fell from the last quarter of 1977 to the first quarter of this year but changed little in the second quarter. Seasonally adjusted figures show that imports reached a peak at the end of 1977 and then declined. In May-July 1978 imports were 7.5 per cent lower than a year earlier. The decline is largely due to lower imports of passenger cars, although there were also some reductions in other imports.

Since it is expected that for the year as a whole total imports will fall both in volume and value, the trade deficit is forecast to improve from N. Kr. 20.2 billion to N. Kr. 12.2 billion and the current account deficit from N. Kr. 26.5 billion to N. Kr. 20.8 billion. ■

Portugal: Trade deficit still rising

After a period of uncertainty and rapid institutional change, during which large imbalances developed in the Portuguese economy, domestic production recovered sharply in 1976 and achieved last year a more moderate rate of expansion. GDP rose by 4.5 per cent, mainly because of an increase in capital formation and an improvement in exports. But the growth in production and some increase in speculative stockbuilding again led to a deterioration of the balance of payments on current account, forcing the authorities to introduce successive packages of austerity measures as part of a more restrictive economic policy. The external deficit is thus the main policy constraint, but unemployment and inflation are also serious problems.

The Stabilization Plan for the current year includes the following main objectives:

(a) reducing the deficit of the balance of payments on current account to 1 billion US dollars (45 billion escudos) for the period from 1st April 1978 to 31st March 1979;

(b) holding the rate of inflation to about 20 per cent; and

(c) creating enough jobs to prevent an increase in unemployment.

It was recognized that these objectives required a scaling down of the growth of production to some 3 per cent, with the increased demand coming entirely from exports.

The set of measures adopted in August last year – which included the devaluation of the escudo and the setting of a ceiling on wage increases–and the policies followed since then needed time to take effect but some results can now be seen. Thus there are clear signs that the rate of expansion of production has slowed down, that prices are rising less rapidly and that the external deficit, which deteriorated in the first quarter of this year, is being reduced.

There are indications that domestic demand, which rose last year by 6.0 per cent, has slackened. Private consumption, which showed last year only a marginal increase of 0.5 per cent, has probably remained stable. It may even have fallen since surveys on retail and wholesale sales show a fall in sales volume in the first quarter this year. Moreover, real wages have continued to decline.

Little information is available on investment as a whole, but data on building and construction do not indicate a slowdown in activity in the first quarter of 1978. The number of building permits issued during that period shows a rise of 19.1 per cent over the same period a year earlier. Production of non-electric machinery remained stagnant during the first four months of this year, but production of electrical machinery increased more than during the same period last year (22.8 per cent, compared with 16.2 per cent).

The value of imports of machinery and transport equipment increased strongly in the first half of 1978 (machinery 40.5 per cent and transport equipment 36.8 per cent) but given the increase in unit values the volume of these imports certainly rose less. In general it would appear that fixed investment is still increasing at a fairly high rate. The increase in interest rates in late August may, however, have led to some decline in inventory accumulation.

Foreign demand has improved and the volume of merchandise exports rose by 15 per cent during the first half of 1978 and their value by 35.6 per cent.

In the first four months of this year the index of industrial production increased only a little less than in the same period of 1977 (9.4 per cent compared with 10.9 per cent), but the rate of growth has fallen virtually continuously since August last year. Wood, cork and furniture, textiles and clothing and the tanning and rubber industries recorded falling production, while output in the metal manufactures industries and in crude minerals and cement continued to rise.

Tourist services have grown and there was an increase of 22.2 per cent in the number of overnight stays by foreigners in the first half of 1978. Agricultural production, too, is developing well. While in 1977 value added by agriculture fell by 10 per cent it is clear that output is rising this year, although yields per hectare of almost every major crop are still below the average for the last 10 years.

Although there are no figures available on the rate of unemployment in 1978–the most recent figure is 12.6 per cent at the end of 1977–it would appear unlikely from the statistics on employment that there has been any reduction in the number of persons out of work. The index of employment for the first quarter of 1978 shows a rise of 0.2 per cent over the previous quarter and of 0.9 per cent over the same period a year earlier. The number of people looking for jobs has increased continuously from 217,000 in May 1977 to 277,000 in May of this year.

The rate of inflation, though high, has been reduced substantially. The index of consumer prices (housing excluded) in July 1978 was 21.7 per cent higher than a year earlier and showed a rise of 20.9 per cent for the first seven months of this year, compared with the same period of 1977. Both figures are well below the 28.6 per cent rise in the index between January 1977 and January 1978. Wholesale prices rose by 21.6 per cent from May 1977 to May this year, compared with an increase of 37.4 per cent in the previous twelve month period. The greatest deceleration in the rate of increase of wholesale prices was recorded for imported products which rose by only 15.8 per cent between May last year and the same month this year, while domestically produced goods showed a price increase of 25.2 per cent. Food prices increased by 17.7 per cent from July 1977 to July this year, compared with a 40.7 per cent rise in the previous twelve month period.

In the first half of 1978 the current account deficit was still somewhat higher than a year earlier. It rose from 29.1 to 33.8 billion escudos (from 794 to 800 million dollars), entirely as a result of a deterioration of the trade deficit. The rise in the deficit was to a large extent due to unusually high imports of food-stuffs and oil.

In volume terms exports (+15.0 per cent) rose faster in the first half of 1978 than imports (+11.8 per cent). Since the rise in import unit prices was greater than that of export prices the increase in the value of exports (32.1 per cent) slightly exceeded that in the value of imports (28.8 per cent). Nevertheless, since the value of imports is roughly twice that of exports, the trade deficit rose from 44.8 to 55.5 billion escudos. In spite of special restraints in foreign markets exports of textiles and clothing rose well (43.9 per cent in value), as did exports of machinery and transport equipment (40.5 per cent) and of crude minerals (58.0 per cent).

While in 1974 and 1975 the deficit of the balance of payments had been mainly financed through a reduction in external reserves, in the last two years greater use has had to be made of foreign borrowing. Last year Portugal's foreign debt rose by 52.4 per cent to $4,406 million. ■

Sweden: Some signs of recovery

For the first time since the war Swedish real GDP fell in 1977. After a rise of only 1.4 per cent in 1976, it fell last year by 2.5 per cent and it is expected (according to the revised national budget published last spring) to rise by only 0.8 per cent this year. According to estimates published by independent experts the rise in real GDP may be as low as 0.5 per cent this year, but should accelerate to 4 per cent in 1979.

Industrial output fell in 1977 by 4.3 per cent, largely as a result of inventory reductions. Stocks had risen strongly in earlier years, partly in response to government subsidies designed to maintain employment, but further inventory accumulation was discouraged by low demand in both export and home markets. The largest falls in production were in sawmilling, pulp and paper, iron and steel, mining, clothing and textiles, as well as in shipping and shipbuilding. Low rates of capacity utilization, together with rising labour costs resulting from the wage increases in 1974 to 1976, led to a slackening in productivity and a weakening of the competitive position of Swedish enterprises. Since in addition order books were rather thin, private gross capital formation fell by 6.5 per cent in 1977, although some special aids and tax allowances were granted by the authorities.

In 1978 there have been some signs of recovery in the Swedish economy. The main source of strength has come from the export industries, reflecting the improved competitive position of Swedish industries after the two devaluations of the Swedish krona last year. The rise in exports permitted a reduction of inventories which had reached very high levels. New industrial orders during the first half of 1978 were about 10 per cent higher than a year earlier. The pulp and paper and the iron and steel industries benefitted from increased orders. But although production is now on an upward curve, the volume of Swedish industrial production for the year as a whole is not expected to be any higher than in 1977.

According to the Federation of Swedish Industries the decline in domestic demand since June 1977 should be followed by some recovery over the next twelve months. This conclusion is based on two main factors: inventories have been brought down and may now have to be built up again to some extent, and private consumption can be expected to rise following an increase in households' real disposable incomes. According to the present official forecast, however, the volume of private consumption is expected to fall this year almost as much (1 per cent) as last year, and some independent experts predict a fall of over 2 per cent. In fact, in the first and second quarters of 1978 the volume of retail sales was about 5 per cent lower than in the same periods a year earlier. Both official and independent

estimates agree that public consumption should rise this year by 2.5 per cent.

Investment activity, which continued to be slack in the first half of 1978, now shows some signs of recovery, but for the year as a whole total gross investment is likely to be somewhat less than in 1977. Private investment could fall by 9 to 10 per cent, while public investment can be expected to rise by 3.5 per cent. Housing completions in Sweden fell considerably in both 1976 and 1977. For this year official forecasts show a rise of 14.8 per cent in housing construction, but independent estimates give a more moderate increase.

The adjustments in the exchange rate, together with higher raw material prices, contributed to an acceleration of the rate of inflation in 1977 and consumer prices rose by 11.4 per cent. In the first seven months of 1978 consumer prices were on average 5 per cent higher than a year earlier, compared with a 9.6 per cent increase in the corresponding period of 1977.

The Government's labour market measures have helped to keep unemployment relatively low. The rate of unemployment averaged 1.8 per cent last year, with some rise in the second half, although at the end of the year it was back at 1.8 per cent. But a fair number of workers were engaged in some form of training or other activity created by the labour market authorities. In August 1978 unemployment, at 113,000 persons (2.7 per cent of the labour force), reached its highest level for six years. Another 124,000 persons were employed in relief work and various government financed training schemes.

Wage increases have now generally slowed down, given the worsening employment situation. This is reflected in more moderate income agreements. Tax concessions have helped to make these agreements possible.

In balance of payments terms the trade deficit increased by 1 billion Swedish kronor to S.Kr. 4.9 billion in 1977. With a higher deficit also on invisibles, reflecting reduced shipping earnings, rising net interest payments abroad and greater foreign aid, the current account deficit increased by S.Kr. 4.5 billion to S.Kr. 14.8 billion.

In order to improve Sweden's competitive situation, the krona was devalued twice in 1977, in April and August. At the time of the second devaluation the krona was withdrawn from the European "snake" and linked instead to a basket of a weighted average of the currencies of Sweden's fifteen most important trading partners. The two exchange rate adjustments resulted in a 15 per cent devaluation, but the change in the effective exchange rate was only about 5 per cent. From early January 1978 to late September the effective exchange rate of the krona was very stable and showed a depreciation of only 0.14 per cent.

A sharp improvement in the trade balance has been achieved in 1978. In the first six months a trade surplus of S.Kr. 3.8 billion was recorded against a deficit of S.Kr. 2.5 billion in the same period of 1977. The value of exports rose by 16.0 per cent and the value of imports by only 1.0 per cent. In the first quarter of 1978 (the latest period for which statistics are available) the current account deficit was only S.Kr. 2.2 billion, compared with S.Kr. 4.8 billion in the same period a year earlier. Independent experts believe that the current account deficit in 1978 should not exceed S.Kr. 10 billion.

Since 1974 Sweden has had to borrow abroad heavily in order to finance the balance of payments and State budget deficits. In 1977 the net inflow of long term capital from abroad amounted to S.Kr. 18.8 billion, compared with S.Kr. 6.5 billion in 1976. The net inflow of short-term foreign capital was also greater than before (S.Kr. 4.0 billion). Swedish foreign exchange reserves fell during much of 1977, partly because of the need to intervene in the foreign exchange markets, but they recovered towards the end of the year after the second devaluation. In 1977 as a whole foreign exchange reserves rose by S.Kr. 4.8 billion.

During the first quarter 1978 the net inflow of foreign long-term capital has been much lower than a year earlier (S.Kr. 1.7 billion), but the net inflow of short-term capital has been higher (S.Kr. 2.2 billion). In the first quarter of 1978 the external reserves thus rose by S.Kr. 1.1 billion. It is believed that they have grown further since then. ■

Switzerland: Appreciation of Swiss franc creates difficulties for exporters

The Swiss economy, which has only slowly pulled out of the recession, expanded slightly more rapidly last year. GNP rose by 2.7 per cent, unemployment was only marginal (on average 0.4 per cent of the labour force) and inflation remained very low (1.2 per cent). The growth in exports, which rose by 11.8 per cent in volume, despite the slower expansion of world trade and a considerable appreciation of the Swiss franc, was the main factor behind the favourable growth record. In real terms GNP in 1977 was, however, still lower than in 1973.

This year, as external demand has slackened to not much more than half the rate of last year, the growth in production seems also to have slowed down. But during the first half of the year domestic demand appears to have continued to rise and both consumption and investment have probably increased at more or less the same rate as last year.

Growth in consumers' expenditure is shown in the statistics for retail sales turnover which increased by 1.8 per cent in the first quarter and by 2.6 per cent in the second quarter of 1978, compared with 3.7 and 2.5 per cent in the corresponding periods last year. Public construction has declined somewhat since the effects of special programmes have run out, but private construction has increased. The number of dwellings built in the first seven months was 9.6 per cent higher than in the same period last year. Rationalization and renewal of equipment in industry have kept the growth of investment in equipment at a fairly high rate, as is suggested by the 11.0 per cent increase in imports of equipment goods in the first seven months of 1978. It is reported that stocks of finished goods have remained more or less stable.

There are indications that in recent months the sharp appreciation of the Swiss franc has created additional difficulties for industry and that this could affect the outlook for the coming months, although the majority of the companies questioned in a survey of business activity carried out in June reported increases in domestic orders and sales and expected an improvement in sales for 1978 compared with last year. But the rate of growth of exports fell from 12.0 per cent in the first seven months of 1977 to 6.8 per cent in the same period this year. Some sectors now report that they are finding it increasingly difficult to export. Big price reductions had been made even earlier, as is shown by the fall of 4.1 per cent in export unit prices from the second quarter last year to the same period this year. Tourism too appears to be facing some difficulties after a good winter season. Overnight stays, which in the first quarter had gone up by 10.8 per cent compared with a year earlier, fell by 7.1 per cent in the second quarter.

Production appears to have continued to expand, though at a lower rate than last year. The index of industrial production in the first quarter showed an increase of 0.7 per cent compared with the same period last year, when the increase had been 5.4 per cent. In the second quarter of 1978 the rise in manufacturing production was about 3½ per cent.

Employment has developed reasonably well. After an increase of 0.2 per cent in 1977, the employment index recorded an increase of 0.8 per cent in the first quarter of this year and of 1.5 per cent in the second quarter. The number of unemployed fell to 7,627, which is 0.3 per cent of the labour force, and the number of vacancies rose to 8,305.

Inflation remains virtually non-existent in Switzerland. Consumer prices, which last year rose by 1.2 per cent on average, were 1.1 per cent higher in July 1978 than a year earlier. Wholesale prices, which had increased very slightly in 1977 (+0.3 per cent), have been falling continuously from the second quarter of 1977 and in July 1978 were 3.6 per cent lower than a year earlier. The appreciation of the Swiss franc was one reason for this, and the greatest fall in wholesale prices was recorded in imported merchandise, with a reduction in the index of 8.9 per cent. Prices of domestic goods fell by 1.4 per cent.

Wage increases have been moderate although they have accelerated somewhat recently. After an average increase of 1.6 per cent last year, wage earnings were 2.8 per cent higher in the second quarter of this year than in the same period last year.

Switzerland's foreign trade has been affected by the appreciation of the franc since towards the end of last year. The rate of growth of exports has slowed down considerably and in July 1978 there was an absolute fall in the volume of exports compared with a year earlier. Commodity exports, after increasing by 11.8 per cent in volume last year and 12.1 per cent in the first eight months of 1977, rose by only 7.6 per cent in the same period of the current year. Since unit export prices fell by 3.7 per cent in this eight month period, the increase in the value of exports was only 3.2 per cent.

Imports, on the other hand, continued to rise in 1978 at almost the same rate as last year: at 10.1 per cent in the first eight months of this year against 11.9 per cent in the same period last year. But since the appreciation of the Swiss franc meant a sharp fall in unit import prices (–9.4 per cent), there was a slight reduction in the value of imports (–0.4 per cent) in this period. As a result the trade deficit was reduced from 1,460.6 million francs in the first eight months of 1977 to 946.2 million this year.

There was some change in the commodity structure of imports in the first half of this year. Imports of equipment goods, which rose by 22.3 per cent in value and 33.6 per cent in volume, represented 17.5 per cent of total imports as against 14.4 per cent in the same period last year. Imports of energy rose by 7.5 per cent in volume and fell by 10.5 per cent in value, and imports of raw materials fell in both volume and value.

As a result of the appreciation of the Swiss franc the terms of trade improved by 9.4 per cent over the twelve months to August 1978, with export prices falling by 5.9 per cent and import prices by 14.0 per cent.

Last year Switzerland's balance of payments on current account recorded a surplus of 8.27 billion francs, only a little less than a year earlier. This was the second highest surplus among the industrial countries, exceeded only by Japan. While the trade deficit increased from 630 million francs in 1976 to 2.3 billion in 1977, increases in the surpluses of capital income of 700 million francs, electricity by 300 million (this item fluctuates sharply from year to year) and tourism (280 million) almost offset this development on trade account. A surplus of 6 billion francs was shown on capital income and one of 2.7 billion on tourism. The balance of goods and services showed a surplus of 9.9 billion francs and transfers a deficit of 1.6 billion. (The amount of wages and salaries paid to foreign workers fell from 6.3 billion in 1976 to 5.7 billion last year).

This year the improvement in the terms of trade can be expected to result in a fall in the trade deficit, while investment income is likely to rise further, bringing the estimated surplus on current account to nearly 9 billion francs. A higher trade deficit is forecast for 1979, but since the surpluses on services and on investment income are expected to rise more than sufficiently to offset this, the surplus on current account is forecast to rise somewhat. ■

Economic indicators from the EFTA countries

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

Austria

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1971 = 100	June 1978	127.9	− 0.2	− 1.4
Building and construction	Monthly production value	mill. Sch.	May 1978	5,624.0	+16.6	+16.5
Retail trade	Volume index of retail sales	1973 = 100	May 1978	107.1	+ 5.5	− 3.0
Labour	Employment index (a)	1956 = 100	June 1978	129.4	+ 0.5	+ 0.8
	Unemployment	thousands	June 1978	35.3	−22.2	+24.5
	Unemployment rate	percent of labour force	June 1978	1.3	1.6 (b)	1.0 (c)
Prices	Index of consumer prices	1976 = 100	July 1978	109.5	+ 0.2	+ 3.0
	Index of wholesale prices	1976 = 100	July 1978	104.1	− 0.6	+ 0.1
Wages	Index of wage earnings	1976 = 100	June 1978	116.1	+ 0.3	+ 4.9
Foreign trade	Imports – value	mill. Sch.	July 1978	18,523	−10.9	− 8.3
	Imports – unit price index	1971 = 100	June 1978	135	0.0	0.0
	Exports – value	mill. Sch.	July 1978	14,198	−14.6	+ 6.0
	Exports – unit price index	1971 = 100	June 1978	135	+ 3.8	0.0
Exchange rate		Schillings per dollar	29 Sept. 1978	14.04	14.35 (b)	16.5075 (c)

Finland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1970 = 100	July 1978	67	−46.0	+ 1.5
Building and construction	Buildings completed	mill. cub. met.	1st Qt 1978	8.36	−40.3	−11.3
Retail trade	Volume of cooperative retailing (a)	1972 = 100	May 1978	111	− 7.5	− 5.1
Labour	Employment	thousands	June 1978	2,241	+ 8.1	− 2.0
	Unemployment	thousands	August 1978	154	− 8.3	9.2
	Unemployment rate	percent of labour force	August 1978	6.7	7.3 (b)	6.0 (c)
Prices	Index of consumer prices	1972 = 100	July 1978	211.8	+ 0.2	+ 6.9
	Index of wholesale prices	1949 = 100	August 1978	730	0.0	+ 4.9
Wages	Index of wages and salaries	1964 = 100	2nd Qt 1978	453	+ 1.6	+ 3.9
Foreign trade	Imports – value	mill. markkaa	August 1978	2,472	− 6.2	+3.1
	Imports – unit price index	1975 = 100	2nd Qt 1978	138	+ 2.2	+10.4
	Exports – value	mill. markkaa	August 1978	2,397	−10.5	+ 7.0
	Exports – unit price index	1975 = 100	2nd Qt 1978	126	+ 1.6	+ 6.8
Exchange rate		Markkaa per dollar	29 Sept. 1978	4.031	4.1010 (b)	4.1550 (c)

Iceland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Fish catch	Volume	thousand tons	July 1978	93.8	+108.9	+ 54.5
Production for exports	Value	mill. Kr.	May 1978	11,790	− 31.9	+ 28.2
Labour	Unemployment	number	31st July 1978	138	− 67.0	+ 2.2
	Unemployment rate	percent of labour force	31st July 1978	0.1	0.4 (b)	0.1 (c)
Prices	Index of consumer prices	1/1/1968 = 100	1st August 1978	1,307	+ 12.0	+ 52.2
Wages	Index of hourly wages	1969 = 100	1st March 1978	1,061	+ 15.0	+ 53.5
Foreign trade	Imports – value	mill. Kr.	August 1978	15,386	− 7.6	+ 57.5
	Exports – value	mill. Kr.	August 1978	14,343	− 4.1	+ 35.1
Exchange rate		Kronur per dollar	29 Sept. 1978	307.50	306.20 (b)	208.60 (c)

Norway

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (a)	1970 = 100	July 1978	113	− 2.6	+ 0.9
Building and construction	Buildings completed	Thousand sq. metres	August 1978	3,148	− 1.8	− 3.4
Retail trade	Index of retail sales (a)	1975=100	July 1978	130	− 3.7	− 6.5
Labour	Unemployment	Thousands	July 1978	14.4	+ 0.7	+29.7
	Unemployment rate	percent of labour force	July 1978	0.8	0.8 (b)	0.7 (c)
Prices	Index of consumer prices	1974 = 100	August 1978	145.0	+ 0.3	+ 7.6
	Index of wholesale prices	1977 = 100	June 1978	104	0.0	+ 4.0
Wages	Index of hourly earnings (male workers)	1974 = 100	1st Qt. 1978	162	+ 1.3	+ 9.5
Foreign trade	Imports – value (e)	mill. Kr.	August 1978	4,339	+25.4	− 5.8
	Imports – unit price index	1970 = 100	2nd Qt. 1978	183	+ 3.4	+ 5.2
	Exports – value (e)	mill. Kr.	August 1978	3,491	+18.8	+14.2
	Exports – unit price index	1970 = 100	2nd Qt. 1978	197	+ 9.4	+14.5
Exchange rate		Kroner per dollar	29 Sept. 1978	5.1480	5.3150 (b)	5.5025 (c)

Portugal

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (f)	1970 = 100	April 1978	172.6	+ 1.6	+ 7.9
Building and construction	Building permits issued	number	2nd Qt. 1978	19,276	+21.1	+ 4.1
Labour	Employment	1968 = 100	1st Qt. 1978	106.3	+ 0.2	+ 0.9
Prices	Index of consumer prices in Lisbon (housing excluded)	1963 = 100	July 1978	508.7	+ 2.3	+17.8
	Index of wholesale prices (Lisbon area)	1963 = 100	June 1978	425	+ 2.2	+25.0
Wages	Index of wages in agriculture (men)	1968 = 100	June 1978	453.2	− 0.2	+18.1
	Index of wages in industry and transportation (Lisbon area)	1961 = 100	1st Qt. 1978	552.7	+ 0.7	+ 8.3
Foreign trade	Imports – value	mill. Escudos	July 1978	18,034	−11.6	+ 8.7
	Exports – value	mill. Escudos	July 1978	9,728	+ 2.6	+33.7
Exchange rate		Escudos per dollar	27 Sept. 1978	45.289	45.378 (b)	40.804 (c)

Sweden

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1968 = 100	July 1978	115	−12.2	+117.0
Building and construction	Dwellings completed	thousands	June 1978	5.0	− 9.1	− 33.3
Retail trade	Index of retail sales	May 1970 = 100	March 1978	205	+12.6	+ 10.2
Labour	Employment	thousands	July 1978	4,262	+ 2.6	+ 1.1
	Registered unemployment	thousands	August 1978	113	+16.5	+ 27.0
	Unemployment rate	percent of labour force	August 1978	2.7	2.2 (b)	2.1 (c)
Prices	Index of consumer prices	1949 = 100	August 1978	469	− 0.2	+ 8.3
	Index of producer prices	1968 = 100	July 1978	222	+ 0.5	+ 5.7
Wages	Index of direct wages in mining, quarrying and manufacturing	1947 = 100	May 1978	1,531.8	+ 2.9	+ 11.2
Foreign trade	Imports – value	mill. Kr.	July 1978	5,500	−25.7	− 1.1
	Imports – price index	1st Qt. 1977 = 100	1st Qt. 1978	118	− 1.7	+ 9.3
	Exports – value	mill. Kr.	July 1978	5,600	−34.9	+ 9.8
	Exports – price index	1st Qt. 1977 = 100	1st Qt. 1978	108	− 0.9	0.0
Exchange rate		Kronor per dollar	29 Sept. 1978	4.400	4.416 (b)	4.8327 (c)

Switzerland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1963 = 100	2nd Qt. 1978	153	+ 10.1	+ 2.0
Building and construction	Dwellings built	number	August 1978	615	+ 60.6	−15.3
Retail trade	Index of retail sales	1949 = 100	July 1978	444.5	− 6.2	− 0.3
Labour	Employment index	3rd Qt. 1966=100	2nd Qt. 1978	92.6	+ 2.5	+ 1.5
	Unemployment	number	August 1978	7,840	+ 2.8	− 5.1
	Unemployment rate	percent of labour force	August 1978	0.3	0.3 (b)	0.3 (c)
Prices	Index of consumer prices	Sept. 1977=100	August 1978	101.1	+ 0.1	+ 1.2
	Index of wholesale prices	1963 = 100	August 1978	141.9	− 0.8	− 3.5
Wages	Hourly earnings of workers	S.Fr.	2nd Qt. 1978	11.46	0.0	+ 3.0
	Monthly earnings	S.Fr.	2nd Qt. 1978	2,645	− 1.2	+ 2.9
Foreign trade	Imports – value	mill. Fr.	August 1978	3,186.7	− 3.5	− 8.7
	Imports – unit price index	1970 = 100	August 1978	107.2	− 12.0	− 1.4
	Exports – value	mill. Fr.	August 1978	3,029.2	− 9.3	+ 5.3
	Exports – unit price index	1970 = 100	August 1978	125.0	− 3.3	− 5.9
Exchange rate		Francs per dollar	5 Oct. 1978	1.584	1.605 (b)	2.339 (c)

Spain's economic prospects in the light of its efforts towards integration

Negotiations are taking place in Geneva between the EFTA countries and Spain, with the aim of concluding a multilateral trade agreement which in the long run should lead to free trade in industrial products. And negotiations will soon be opened on the terms of Spain's accession to the European Community. The Bulletin *therefore invited an economic journalist who follows Spanish affairs closely to describe the conditions in which this approach to Europe is being made.*

by Dr. Walter Günthardt,
Economics Editor of the Neue Zürcher Zeitung

Spain's efforts towards greater integration in the European context have–when brought to the simplest denominator–both a highly important politico-psychological component and a pronounced economic background.

The economic aspect, which will be dealt with in greater detail below, can be expressed readily and directly in statistical terms: about 58% of Spanish exports go to European countries, while at the same time about 42% of Spanish imports originate from these countries. On both sides of the balance of trade the emphasis is unmistakably on the European Community, whose present 9 members account for no less than 46% of Spanish exports and fully 34% of imports. This fact alone will make it readily understandable that from the beginning Madrid has concentrated its efforts towards integration primarily on the European Community, where, moreover, the bulk of the tourist flow bringing in foreign currency and the greater part of foreign investments in Spain originate and where most of the Spanish migrants working abroad live.

However, this economic motivation, which is well known to the competent official circles in Madrid, is by no means in the foreground of public discussion in Spain itself concerning the possible advantages and disadvantages of accession to the European Community. The major factor influencing opinion is, rather, the political fact that all the parties in Spain, including the Communists, have, since the first free elections in Spain on 15 June 1977, unanimously supported full membership of their country in the European Community. In any case, the importance attached to this aspect by the Suárez Government is made clear by the fact that the official application for admission was made as early as 28 July 1977, i.e. barely six weeks later. And from the Spanish viewpoint the mere acceptance on 20 September of the same year by the Council of Ministers in Brussels of this request to open negotiations takes on an almost unique historical dimension. Following the *a priori* exclusion by the European Community on political grounds of full membership for Spain during the Franco régime, and the fact that after long and difficult negotiations only a preferential trade agreement was finally entered into with Spain in 1970, the concrete possibility of achieving the long-sought goal represents for most Spaniards a crowning, as it were, of the process of democratisation.

This primarily psychological attitude will, however, certainly yield place, at latest in the course of the actual negotiations, to a more sober appreciation; even the optimists in the Spanish Government expect that the multilateral tug of war at the negotiating table, which can hardly start before the beginning of Spring 1979, could take a good two to three years, so that–making allowance for the ratification period–the earliest possible date of official accession would be at the beginning of January 1982. Until then at least the preferential agreement of 1970 remains in force between Spain and the European Community; this has so far led to a reduction to 40% of the Community duty on most Spanish products. However, the agreement makes provision for a relatively large number of exceptions. Thus, for example, iron and steel products are excluded, while for a series of "sensitive" products there exists a special list which provides for tariff reductions totalling a maximum of 40%. In addition, the preferential treatment of Spanish agricultural products is subject to restrictions. Under this agreement Spain, as counterpart, has reduced duty on many products imported from the European Community, with the reductions amounting to between 60% and 25%, depending on the category; however, in this case also there are no reductions for some products.

No definitive appreciation of the repercussions of this preferential agreement on the Spanish economy is possible for the moment, because during the stages of its implementation too many other factors–above all, currency uncertainty, the fourfold increase in the price of oil and the expansion of the European Community from six to nine members–have affected the development of the world economy. What remains unchanged, however, is that France, with a share of about 16%, and the Federal Republic of Germany, with nearly 11%, are the countries which constitute by far the most important markets for Spanish products, with France being, in addition, the most important industrialised country vis-à-vis which Spain achieves a surplus in bilateral trade. Next in order on the list of export markets are–after the United States, with nearly 10%–Great Britain, with over 6%; Italy, with a good 5%; the Netherlands, with about 4.5%; and Belgium-Luxembourg, with nearly 3%.

The structure of Spanish imports is, again, characterised by the massive share of oil imports, with the OPEC countries, particularly Saudi Arabia, Iran, Libya and Kuwait, now accounting for over 24% of the annual import bill. Among the industrialised countries, the United States is the leading supplier, with a good 14% share. The countries immediately following are the Big Four European Community countries, their shares in Spanish imports being: Federal Republic of Germany, over 10%; France, about 8%; Great Britain, 5%; and Italy, about 4.5%. In view of their shares in exports and imports these four European Community countries obviously constitute, from the Spanish viewpoint, the focal point in the current efforts towards integration.

Spanish exports of transport equipment, machinery, and also metal and metal products have trebled in value since 1973

In contrast, from the Madrid viewpoint a lower degree of importance attaches to EFTA now that Great Britain–the fourth largest customer for Spanish products–no longer belongs to it, even though the seven countries of the European Free Trade Association continue to account for over 6% of Spanish exports and nearly 5% of imports, compared with less than 3% and 2%, respectively, for trade with the Comecon countries. This comparison shows clearly, however, that the EFTA countries–among which Switzerland, with a good 2% share of Spanish exports and about 1.5% of imports, and Sweden, with corresponding shares of just under 1.5% and about 1%, play relatively the most important role–cannot figure merely as negligible quantities in Spanish thinking on integration. Nevertheless–or perhaps precisely because of this–problems have arisen between Spain and the EFTA countries in so far as the preferential agreement which Madrid concluded with Brussels in 1970, and which was extended to the three new European Community members in mid-1977, has led to growing discrimination in trade between Spain and the European countries which do not belong to the European Community. With the aim of eliminating the mutual discrimination existing in the industrial sphere, and thereby also preparing for the subsequent application of the free trade agreement between the EFTA countries and the European Community to the membership of the latter as expanded by the inclusion of Spain, negotiations between the EFTA States and Spain were opened in Geneva on 28 June 1977. It has not yet been possible to bring these negotiations to a successful conclusion.

In any case, as regards the coming negotiations with the European Community one can hardly expect that they will be conducted at the rapid pace which would correspond to the original euphoric expectations on the Spanish side–and this all the more so because now, with the candidatures of Greece and Portugal, an expansion of the Community from nine to twelve members is under discussion, and in the capitals of the present European Community countries there exist considerable divergences of view concerning the future form of co-operation and cohesion of these members. In addition, on the occasion of the good-will trip during which Prime Minister Suárez visited some EC countries in Autumn 1977 it became very clear that at least France had strong reservations, for economic reasons, about an early admission of Spain to the European Community. In Paris mention was made of "good relations with our democratic neighbour country of Latin tradition"; at the same time, however, the French President left no room for doubt as to his country's view of its interests, according to which it could

Spanish exports in 1976 and 1977, by SITC section (in million U S. dollars)

Exports to:	1976				1977			
	EFTA	EC	Rest of world	World	EFTA	EC	Rest of world	World
Food and live animals	101.3	937.8	444.8	1,483.9	120.8	1,016.3	510.9	1,648.0
Beverages and tobacco	19.3	176.8	95.9	292.0	22.4	153.2	111.6	287.2
Crude materials, inedible, except fuels	22.5	171.7	79.3	273.5	27.3	195.7	90.5	313.5
Mineral fuels, lubricants, etc.	25.7	194.8	104.2	324.7	38.3	99.0	241.1	378.4
Animal and vegetable oils and fats	4.2	43.9	131.1	179.2	3.2	67.3	152.1	222.6
Chemicals	68.4	185.1	268.7	522.2	85.7	218.8	349.8	654.3
Manufactured goods	95.7	973.9	1,170.9	2,240.5	134.4	1,145.7	1,492.4	2,772.5
Machinery and transport equipment	201.3	844.9	1,098.8	2,145.0	186.7	1,276.7	1,152.5	2,615.9
Miscellaneous manufactured articles	66.2	512.6	662.0	1,240.8	66.7	554.4	692.0	1,313.1
Commodities and transactions not classified according to kind	1.2	3.0	5.9	10.1	0.7	2.6	8.1	11.4
Total	605.8	4,044.6	4,061.5	8,711.9	686.3	4,729.7	4,801.0	10,217.0

Spanish imports in 1976 and 1977, by SITC section (in million U.S. dollars)

Imports from:	1976				1977			
	EFTA	EC	Rest of world	World	EFTA	EC	Rest of world	World
Food and live animals	30.5	223.3	1,268.8	1,522.6	38.9	214.8	1,614.9	1,868.6
Beverages and tobacco	0.7	46.1	183.6	230.4	1.1	53.5	188.6	243.2
Crude materials, inedible, except fuels	174.6	432.3	1,822.1	2,429.0	146.0	452.3	1,919.4	2,517.7
Mineral fuels, lubricants, etc.	0.9	163.2	4,928.6	5,092.7	0.4	193.1	4,856.5	5,050.0
Animal and vegetable oils and fats	4.3	19.0	48.2	71.5	4.5	15.1	61.1	80.7
Chemicals	124.8	1,082.7	392.1	1,599.6	120.8	1,104.4	386.8	1,612.0
Manufactured goods	168.8	968.4	779.3	1,916.5	192.5	1,093.5	502.4	1,788.4
Machinery and transport equipment	269.3	2,309.6	1,003.4	3,582.3	243.6	2,343.7	933.2	3,520.5
Miscellaneous manufactured articles	97.7	432.1	312.0	841.8	98.3	501.5	365.1	964.9
Commodities and transactions not classified according to kind	0.2	0.7	0.5	1.4	–	0.3	0.3	0.6
Total	871.6	5,677.4	10,738.6	17,287.6	846.0	5,972.1	10,828.6	17,646.7

The Structure of Spanish industry
Industrial production (excluding construction industry)

	Value of exports in 1976 million pesetas	Percentage change in 1977 real	Percentage change in 1977 nominal	Value of output in 1977 million pesetas	Percentage of total
Mining	66,691	5.9	27.5	85,049	3.8
Manufacturing	1,631,604	3.5	20.0	1,957,429	87.8
Food	176,487	5.5	16.2	205,108	9.2
Drink	36,934	–3.5	3.1	38,065	1.7
Tobacco	11,185	2.8	8.0	12,077	0.5
Textiles	101,376	0.8	16.5	118,069	5.3
Shoes and clothing	168,018	–1.2	14.1	191,644	8.6
Wood, cork, furniture	78,735	–4.4	5.4	82,974	3.7
Paper and printed matter	93,578	–5.7	4.0	97,302	4.4
Leather	22,318	8.0	35.4	30,210	1.4
Rubber	23,896	20.2	48.4	35,467	1.6
Chemicals	142,045	7.9	29.1	183,324	8.2
Oil and coal products	32,972	–6.5	16.6	38,451	1.7
Non-metallic mineral products	97,057	6.1	23.3	119,694	5.4
Metals	104,992	1.7	18.3	124,157	5.6
Metal products	98,754	–2.0	17.6	116.135	5.2
Non-electric machinery	50,349	–2.0	7.8	54,276	2.4
Electrical machinery and equipment	83,777	–2.0	19.6	100,163	4.5
Vehicles	237,813	13.6	35.4	322,063	14.4
Other	71,318	8.3	23.7	88,250	4.0
Electricity, gas, water	132,719	13.8	42.0	188,458	8.4
Total	1,831,014	4.3	21.8	2,230,936	100.0

never be willing to sacrifice "its agriculture to the future of Spain". And the extent of the assistance promised to Suárez by the Italian Prime Minister on his visit to Madrid in September 1978 will probably depend in no small measure on the advantages Rome can succeed in negotiating for itself at the same time, under the heading of "Mediterranean solidarity". It must not be forgotten that Spanish membership of the European Community would inevitably lead to stronger competition for Italian agriculture in many fields (for example fruit, vegetables, olive oil and wine).

Thus it is hardly surprising that long-time students of the Spanish economy, when considering the question of the country's economic capacity to compete successfully in an expanded European Community, have fewer doubts concerning agriculture than concerning industry. In this connection account must be taken of the fact that, in value, agricultural products count for only about a third of Spanish exports, while industrial products make up the remaining two-thirds. Moreover, in 1977 the contribution of agriculture to the national product fell to 9%, although the primary sector still employed over 23% of the economically active population, while, in contrast, the secondary sector, with 37% of the economically active population in industry and construction, accounted for a 39% share of the gross national product.

In other words–leaving aside the tertiary sector, where, above all because of the tourist industry, employment reaches nearly 40% and the contribution to the gross national product is no less than 52%–industry now plays a much more important role in Spain than agriculture, which moreover–as is clearly illustrated by the disproportion between volume of employment and contribution to Gross National Product–is in no way distinguished by specially high productivity. (By way of comparison, it may be mentioned here that Italy–with a similar level of GNP per head–achieves the same 9% share as Spain with only 17% of the economically active population in the agricultural sector, while France–with more than twice the GNP per head–is able to achieve a 5% share for agricultural production with only 11% of the economically active population.)

For that reason optimists expect that accession to the European Community will bring about both a restructuring and a reconstruction of Spanish agriculture, together with a strengthening of industry. In contrast, many experienced political economists tend rather towards pessimism, for three reasons. These critics point out, first, that so far membership of the European Community has not of itself yet helped any country to solve its own problems (e.g. England). Second, they argue that Spanish industry–at least until a short while ago–had developed mainly in a state-promoted hot-house climate on the basis of low wages but that it could run into serious difficulties in a genuine competitive situation following the sharp rise in wage and social costs which occurred in 1975 and 1976. Third, these critics stress that Spanish economic policy in the immediate post-Franco years was not suited either to correct the distortions persisting from the period of autocratic rule or to promote the restructuring essential with a view to a growing integration of Spain in Europe.

For, in an economy which–with its marked dependence on imported energy–gave indications of strong tendencies towards depression following the massive increases in oil prices and the world recession, practically no economic measures which could have proved unpopular were taken by the Government in Madrid before the 1977 elections and this with a view–dictated by short-term considerations–to avoiding "unnecessarily" hampering the process of democratisation. The negative results of this questionable procedure were an uncontrolled wage cost explosion, galloping inflation, a massive trade and earnings deficit and growing pressure on the peseta. In consequence, following the positive results of the elections, devaluation and the introduction of austere monetary and fiscal measures became unavoidable; while–with the support of the wage moderation agreement embodied in the Moncloa Pact–which is in fact yielding a spectacular improvement in the balance of payments on current account for 1978, together with a considerable reduction in the rate of inflation–there has occurred at the same time, more or less as the reverse of the coin, an increase in unemployment to a level hitherto unknown in the post-war period.

After this stop-go phase it is thus extremely important for Spain to achieve growth with balance as soon as possible, in order to reduce unemployment to a tolerable level by its own efforts. And this not least because high unemployment could be a serious obstacle in the negotiations with the European Community, since the present members could not but fear that Spain would "export" its unemployment through the common employment market.In the long term it is therefore of fundamental importance for Spain that, following the sharp increases in nominal wages in the last two years, a wages policy based on genuine increases in productivity should be developed, which would maintain production costs, particularly in industry, at a competitive level in the European context.

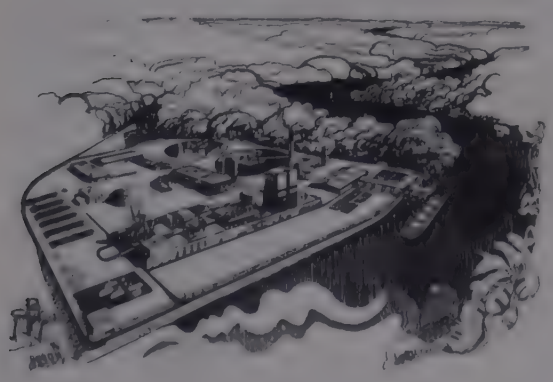
Finally, Madrid itself still does not seem to appreciate sufficiently, in connection with the preparations for integration, that acceptance and application of the founding treaties and ensuing legislation of the European Community would probably entail considerably more difficulties for Spain than was the case for Great Britain. This applies, above all, in the case of the tax system (including the introduction of Value Added Tax) and also, for example, to the legislation on competition, the state trade monopoly, agriculture, social insurance, joint-stock companies, protection of trade marks or patents, to mention only the most important. Apart from the problems of detail concerning the adjustment period for individual "sensitive" products which could arise during the negotiations, it would thus seem hardly possible, because of the unavoidable legislative changes, that Spain will succeed in achieving full integration in the expanded European Community within a transition period of only five years from the date of official admission, which is the present goal being sought by Madrid. ■

EFTA industrial news

● The Swiss company *Saurer SA* (Arbon) is delivering seventy 4-colour looms to the largest textile factory in Mozambique, which is already almost entirely equipped with Saurer looms. The new equipment will be used for weaving multicoloured cottons for shirts and blouses. Another Swiss firm, the *Rüti Co. Ltd. Engineering Works* (Zürich), has supplied 100 air-jet looms of a completely new design to the Reutlingen silk mills in Germany and has also received an order for 460 of these looms from Spring Mills Inc. (USA).

● The Swiss engineering firm *Bell SA* of Kriens, which is an Escher-Wyss company within the Sulzer group, has just received its largest ever order. The order, placed by the Siam Fibre Cement Company in Bangkok, is for the supply and mounting of three assembly lines for the production of sheets of corrugated asbestos cement. The assembly lines are fully automatic and will have a total annual production of up to 12,000 tons. The sheets will be used for facades and roofing.

▼ *Götaverken Ångteknik AB* of Sweden has designed a prefabricated factory constructed on a floating platform for the production of paper pulp (see photo). The project was undertaken in collaboration with the parent company, the state-owned Swedyards shipyard. The platform can be made out of either steel or concrete or a combination of both and is supplied in one, two or four sections. The project is already sufficiently advanced to be put on the market and the first factory will be built within the next two and a half years.



● A consortium of Swedish companies is to equip a new hydroelectric power station in southern Iceland, at Hrauneyjafoss, under the terms of a 14 million dollar contract. The power station is jointly owned by the Icelandic government and the city of Reykjavik. *ASEA,* one of the three members of the consortium, will provide two 70 MW generators with ancillary electrical equipment, and *Bofors-NOHAB* and *KMW* will supply the turbines. The plant is scheduled to go into operation at the end of 1981.

● A contract worth 12 million Finnish marks has recently been signed between the Finnish company *Suomi-Filmi/Ris-Ko Oy* and Strojexport of Czechoslovakia concerning the complete stage equipment for a cultural and congress centre to be built in Bratislava. The contract includes the planning, manufacture and supervision of the installation. This is the Finnish firm's first project in a COMECON country. Further projects are now being negotiated with COMECON countries and also with the Middle East.

● *Elomatic Oy* of Finland is to design two ro-ro vessels of 3,400 dwt each for Karlskronavarvet Ab (Sweden) under the terms of a 1.7 million markkaa contract. The ships, which will be 110 metres long and 16.5 metres wide, will transport forest industry products, containers, trailers and cars. Finnish subcontractors will supply deck structures, sanitary equipment and fittings.

● *LM Ericsson* of Sweden has received a 4 million dollar order from Norway for a fully electronic computer-controlled telex exchange, type AXB 20, to be installed in Oslo. The exchange will handle national, international and intercontinental telex traffic. Exchanges of this type have already been ordered by Panama, the Soviet Union, Spain, Sweden and Yugoslavia.

► In view of the growing popularity of cycling, the Swedish firm *AB Maskinfabriken Rex,* of Halmstad, has marketed a special safety seat for children – the REX-Sitsen. Made from plastic, the seat is equipped with a safety belt (see photo) and is designed to protect the entire body in the event of a fall or collision.

▲ *Jowitherm* of Austria (Windisch) have recently taken an important step forward in the domain of electric floor heating by bringing out a system of heating grids made from synthetic resin reinforced with glass fibre (see photo). Suitable for use in bathrooms, kitchens, dining areas or even outdoors, the grids are available in units of 95 × 95 cm., 45 × 95 cm. and 24 × 95 cm., either as single elements or joined up. They can thus be used to heat a limited area or a whole room. The module system also facilitates repairs since the fault can be localized exactly when one element fails.

● Electronic devices have been used by surveyors for several years now and have gained steadily in importance. The Swiss firm *Wild Heerbrugg AG* has just produced its ten-thousandth Distomat, an electronic instrument which, by means of invisible infra-red rays, can measure distances to the nearest centimetre over a range of 2,000 metres. This instrument is used daily in over a hundred countries by surveyors and civil engineers.

▲ The "Waterfront Palace", situated in the old quarter of Kuwait, is a typical example of the clear-cut, simple lines of *Finnish* architecture (see photo). Finnish architects Raili and Reima Pietilä have been the main consultants on this project which comprises three government buildings: an extension to the Emir's offices, the Council of Ministers' building and the Ministry of Foreign Affairs. The whole represents a surface area of 27,300 square metres. Construction, due to be completed in 1981, will be carried out by the Funita Corporation of Tokyo.

● The Swiss company *Omega Electronic* has developed a panel with a luminous display which can reproduce all forms of writing, pictures or films projected by television, video, etc., in 16 different shades of grey. The panel measures 11 × 4 metres and is composed of 25,600 electric lamps, controlled by a mini-computer. It has many applications, particularly in the realm of sports contests. Nine panels of this type have been ordered from the Swiss manufacturers by Saudi Arabia.

● *BPA*, the company owned by the Swedish trade unions, has just signed a turnkey contract worth 750 million kronor with the Algerian government. The contract covers the construction of the Harezza dam and the irrigation of some 20,000 hectares in the Cheliff valley in western Algeria. Work has already begun on the project, which includes digging the necessary trenches for 700 kilometres of piping, and is expected to be completed in 1983.

● A new copper-manganese-aluminium alloy called Incramute has been developed by the Swedish firm *Gränges Metallverken*. The new alloy has exceptionally high noise-damping properties and can be used at temperatures of up to 120°C. Also in the cause of noise abatement, the Swedish Road and Traffic Research Institute has brought out tyre covers which reduce by about 4 decibels the noise levels produced by lorries travelling at 70 kph. The covers are made of perforated metal with glass wool absorbers.

● The Finnish companies *Oy Telko AB* and *Turun Muna Oy* have secured an order from Iran worth 20 million markkaa for an animal feed plant capable of producing up to 30 tons an hour, silos with a capacity of 12 million kilos, and a hatchery which can produce between 17 and 20 million chicks per year. Telko will also supply health centres, with accommodation, to Iran on the turnkey principle, the first units to be delivered by October 1978.

● A simple and practical way of making concrete shuttering has been evolved by the Austrian firm *DOKA* of Amstetten, using their new frame shuttering. The matrix is made up of galvanized basic units of up to 1.25 × 2.50 metres, with plywood panels, and the simple joints and accessories give maximum adaptability to different shapes and designs in all sectors of the construction industry. The new frame shuttering is light enough to be shifted by hand and is already widely used in Germany, Switzerland, France and Iran.

● *Hermelin-Coffenco AB* of Sweden (Stockholm) has marketed a computerised beer pump which dispenses mathematically exact measures of beer, thereby reducing to 1 per cent wastage which was often as high as 20 per cent. The pump unit consists of a small impeller mounted inside the tube which feeds the tap with beer. As the beer is pulled, the impeller revolves and the revolutions are counted photo-electrically. They are then amplified and transmitted to a miniature computer which can be set at two exact quantities, which are registered separately. The new product has been patented under the name of Beerwaiter and can be connected up to an electronic cash register.

Reciprocal recognition schemes

Lifting appliances

The national authorities participating in the scheme for the reciprocal recognition of tests and inspections carried out on lifting appliances held their second meeting in Geneva on 19th and 20th September.

The scheme, which covers all kinds of lifting appliances for either passengers or goods, has been in force since the beginning of this year. During the September meeting the representatives of the participating authorities agreed to a set of more detailed guidelines for the criteria for recognising testing and inspection bodies for the purposes of the scheme. The scheme at present covers Austria, Finland, Iceland, Norway and Switzerland.

Heating equipment using liquid fuel

A second meeting of approval bodies participating in the reciprocal recognition scheme for heating equipment using liquid fuel was held in Geneva on 3rd October. All the EFTA countries are represented in the scheme, which came into force from the beginning of this year.

Guidelines for the criteria for recognising testing and inspection bodies for the purposes of this scheme were agreed at the meeting in October, subject to formal acceptance by the approval bodies.

A full description of both of these schemes, which are open to the participation of authorities or approval bodies in other countries, was given in the April 1978 issue of the EFTA Bulletin. ■

EFTA Committee meetings

EFTA's Committee of Members of Parliament meets in Stockholm

22 Economic and Social Sub-Committee

At a meeting on 4th and 5th October the Economic and Social Sub-Committee of EFTA's Consultative Committee completed a review of the floating exchange rate system with special reference to the part played by export and import prices in the formation of incomes.

The Sub-Committee concluded that in recent years, because of the rise in oil prices and the differences in the levels of inflation and of economic activity in the big countries, it would have been impossible to apply fixed exchange rates. The system of floating was considered to have worked reasonably well although some members of the Sub-Committee thought that it had not lived up to expectations.

However, the evolution of export and import prices was considered to be more important for the formation of incomes than the exchange rate system in itself. The Sub-Committee found that movements in the external value of currencies tended to be reflected in import prices, but with a time lag. These in turn were passed on, though in some cases only partly into domestic prices, which then influenced wage developments. Rising export prices could also lead to pressures for wage increases when it was thought that higher prices might increase company profits. It would however be difficult to make a complete assessment of the role of export and import price changes for lack of detailed data.

A report on the Sub-Committee's conclusions was presented at the meeting of the Consultative Committee which was held on 23rd and 24th October, too late to be reported on in this issue of the EFTA Bulletin. ■

The Committee of Members of Parliament of the EFTA countries met in Stockholm, at the invitation of the Swedish Parliament, on 12th and 13th October.

Members of Parliament from all the EFTA countries, as well as from Liechtenstein, took part in the meeting, which was the first to be held in the capital of an EFTA country. Mr. Lennart Pettersson, a Swedish Social Democrat, was elected chairman of the Committee and Mrs. Maria Emilia de Melo, a Portuguese Socialist, vice-chairman.

The economic situation was the subject of a full debate and deep concern was expressed about the continuing high level of unemployment. The Committee expressed the hope that concerted action to achieve faster balanced economic growth would prove successful and that price inflation would be kept under control.

At the same time the Committee stressed the necessity of resisting pressures in favour of protectionist measures. Successful action to improve the employment situation would make it easier to resist such pressures. It was recognized that the wide-spread use of protectionist measures would be particularly harmful for small industrialized countries with a large export sector. The Committee underlined the need to adopt positive adjustment policies to support the structural developments required in the present situation.

The Committee recognized the destabilizing effects of recent international currency disturbances, especially since such developments added to business uncertainty. In this connection the Committee expressed the hope that the efforts at present being undertaken to establish a stable European monetary system will lead to success.

The Committee recalled the decision to hold in Oslo in April 1979 a West European tripartite conference on employment and called upon the governments of the EFTA countries to prepare actively for this conference.

The Committee also reviewed the activities of the Association in the year since it last met. It expressed its support for the measures being taken to strengthen cooperation within EFTA, and in particular for the increased attention that is being given to the implications of general economic developments for the small countries, highly dependent on international trade, that form EFTA.

Mr. Charles Müller, the Secretary-General of EFTA, presented a report on the state of the negotiations for a multilateral trade agreement between the EFTA countries and Spain. The Committee expressed its hopes that efforts would be made to achieve a successful conclusion of the negotiations as soon as possible.

The Committee welcomed the search for new possibilities of cooperation between EFTA and Yugoslavia which is taking place in the recently established Joint EFTA-Yugoslavia Committee.

The opening session, in the afternoon of 12 October, was devoted to a presentation of Sweden in order to fulfil the agreed aim of enabling the members of the Committee to become more familiar with conditions in the individual EFTA countries when meetings are held outside Geneva. The Committee heard reports on aspects of Swedish economic life from Mr. Claes-Erik Odhner, Head of the Research Department of the Swedish Confederation of Trade Unions, Mr. Karl-Olof Faxén, Head of the Research Department of the Swedish Employers' Association, and Mr. Ulf Jakobsson, Head of Planning, Ministry of Economy. The visiting Members of Parliament expressed their interest in the very useful accounts of economic conditions in Sweden.

The Committee accepted an invitation from the Portuguese Parliament to hold its next meeting in Lisbon in the last week of October 1979. ■

☐ **EFTA—what it is, what it does.** This brief folder leaflet gives general information about the history and purposes of EFTA. Available in bulk or single orders. *English, French, German* and *Portuguese.*

☐ **The European Free Trade Association.** A 14-page booklet outlining the history and working of EFTA. Also contains a section on the Free Trade Agreements with the EC. *English, French, German, Norwegian, Swedish* and *Portuguese.*

☐ **EFTA in a changing world.** EFTA Bulletin No. 4 of 1975. Twelve views on EFTA and its future on the fifteenth anniversary of its founding. *English, French* and *German.*

☐ **Structure, rules and operation of the European Free Trade Association.** A full account of EFTA's history, achievements and current activities. 146 pages. *English, French, German, Finnish, Swedish, Norwegian* and *Portuguese.*

☐ **The EFTA Industrial Development Fund for Portugal.** A short leaflet containing general information about the Fund, the statutes, and some statistical data on Portugal. *English, German* and *Portuguese.*

Trade studies

☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

☐ **The trade effects of EFTA and the EEC 1959-1967.** Also of interest mainly to economists. Contains 168 pages with 77 tables. *English, French* and *German.*

☐ **EFTA Facts and Figures.** A 14-page booklet giving statistical information on each of the EFTA countries. July 1976. *English, French* and *German.*

Regional policy in EFTA

☐ **An Examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

☐ **Industrial Estates.** A study of the industrial estate system (1970). 80 pages. *English only.*

☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only.*

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

☐ **The Stockholm Convention.** Loose-leaf edition, kept constantly up to date by the issue to subscribers of all amendments, includes the full text of Annex B (on origin rules). This bilingual English-French edition is available from the EFTA Secretariat at the price of 60 Swiss francs. Subsequent amendments will be supplied to subscribers at the price of 20 Swiss francs per annum.

☐ **Eighteenth Annual Report of EFTA.** July 1977-June 1978. *English, French* and *German.*

☐ **EFTA Annual Reports 1967 to June 1977.** *English, French* and *German.*

☐ **First Annual Report of the EFTA Industrial Development Fund for Portugal.** April 1978. *English* and *Portuguese.*

☐ **The Free Trade Agreements of the EFTA countries with the European Communities.** EFTA Bulletin No. 8 of 1972, which presented the Free Trade Agreements with the European Communities signed first by five EFTA countries, is now available with offprints of the articles in subsequent editions describing the agreements signed later by the other two EFTA countries. *English, French* and *German.* (See also *Bulletin* No. 6 of 1977 on the operation of the FTAs and the entry into force of free trade.)

☐ **Compulsory Technical Regulations.** Lists the competent national authorities in each EFTA country (1969). *English only. This brochure can also be obtained from Trade Ministries in the EFTA countries.*

Conventions and mutual recognition schemes

☐ **Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.** (1970). Bilingual *English-French, German, Italian.*

☐ **Convention on the Control and Marking of Articles of Precious Metals.** (1972). Bilingual *English-French.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment** (1971). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors** (1972) *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances** (1972). *Loose-leaf edition in English. In stencilled form in French and German.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Lifting Appliances** (1978). *In stencilled form in English.*

☐ **Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel** (1978). *In stencilled form in English.*

Brochures published under the auspices of the Pharmaceutical Convention:

☐ **Basic Standards of Good Manufacturing Practice for Pharmaceutical Products.** Prepared by EFTA Working Party on Pharmaceutical Inspections (1972). Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture of Sterile Products. Guidelines for the Handling of Starting Materials.** Both of these are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. 1973. Tri-lingual *English, French* and *German.*

☐ **Guidelines for the Manufacture and Analysis under Contract.** Annex to the brochure on basic standards for the manufacture of pharmaceuticals. May 1976. Tri-lingual *English, French* and *German.*

☐ **Sampling and Analytical Control.** Papers presented at a seminar held in Edinburgh, September 1973.

☐ **Manufacture and quality control under contract.** Papers presented at a seminar in Berne, July 1974.

☐ **The Manufacturer's Quality Control Department. Structural and functional aspects.** Papers presented at a seminar held in Copenhagen, June 1975.

☐ **Stability of Pharmaceutical Products.** Papers presented at a seminar in Salzburg, June 1976.

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EFTA Ministers stress need for intensified international economic cooperation – Free Trade is not a dying concept – First meeting of Joint EFTA-Yugoslavia Committee – Multilateral Free Trade Agreement between EFTA countries and Spain initialled

BULLETIN

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Ministers stress need for intensified international economic cooperation

The Chairman keeps an eye on the time ; Mr. Staribacher puts the finishing touches to his declaration.

Last month's meeting of the EFTA Council and the Joint Council of EFTA and Finland put great stress on the need for greater cooperation in dealing with current economic problems and gave evidence of the closer cooperation that the seven countries have undertaken within EFTA.

The first aspect was particularly clear from the discussions which the Ministers held on the economic prospects. They discerned some encouraging signs but pointed also to a number of disturbing features of the economic situation. Faster growth rates could be expected in OECD countries during the first half of next year but the outlook for the rest of that year was uncertain. Unemployment, not least among young people, seemed likely to remain high in many countries. Inflation continued to be a cause of concern. Monetary instability persisted. Important structural adjustments had still to be made. And the general business uncertainty discouraged the investment that is necessary to bring about a sustained economic recovery.

Certain conclusions were drawn from this analysis. The most important of these was the need for intensified international cooperation. In the absence of cooperation individual governments would have to search for individual solutions to the economic problems of their countries, and this would almost certainly lead to a greater use of protectionist measures in order to shield particular sectors or industries. On page 8 Mr. Charles Müller, Secretary-General of EFTA, gives reasons why protectionist policies must be self-defeating in the long run.

There is already international cooperation in forms which have helped to reduce the danger of protectionism and which also are designed to bring about faster growth rates. The existence of EFTA itself and the free trade system in Western Europe can rightly be seen as factors working for the maintenance of an open trading regime. The renewal in four successive years–most recently, last June–of the trade pledge adopted in OECD, the association of the industrialised countries of the world, is another cooperative manifestation of the will to stand by liberal trading principles. And the OECD programme for concerted action, which was adopted last June, identified the responsibilities of the individual countries in contributing to faster growth, greater price stability and better payments equilibrium. The Ministers agreed that this international economic cooperation needed to be intensified. (The full text of their communiqué is given on page 20.)

Two other specific aspects of international relations which the Ministers discussed were the Multilateral Trade Negotiations in GATT and the North-South dialogue. On the MTNs, rapidly approaching their December deadline, the Ministers not only stressed the importance of achieving a balanced and substantial settlement before the end of the year but went on to appeal to all parties involved "to pursue the negotiations in Geneva with the objective of an early conclusion of all outstanding issues". On the North-South dialogue they expressed the commitment of their governments to a successful conclusion of current negotiations, particularly those for the establishment of a Common Fund which is intended to help stabilise the prices of a number of primary commodities. As a token of their good will towards the developing countries EFTA Ministers gave a lunch during their meeting for the Ministers from developing countries who were in Geneva at the time for the negotiations on the Common Fund.

Both at the Ministerial meeting and at a meeting of High Officials which preceded it the relations between the EFTA countries and the European Community were reviewed. It was found that the Free Trade Agreements in general were working well, although there was some concern about the situation in the paper sector, where tariffs will not be fully removed until 1984, and in the steel sector. There was a substantial exchange of information about the variety of fields in which individual EFTA countries are cooperating with the EC outside the Free Trade Agreements.

Two particular instances of EFTA's cooperation were

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1. The Finnish delegation led by Mr. Paavo Väyrynen, Minister for Foreign Affairs. (Left)
2. The Icelandic delegation led by Mr. Thórhallur Ásgeirsson, Secretary-General, Ministry of Commerce. (Second from right).
3. The Norwegian delegation led by Mr. Hallvard Bakke, Minister of Commerce and Shipping. (Centre)
4. The Portuguese delegation led by Mr. Victor Constâncio, Secretary of State, President of the Commission for European Integration. (Second from left)
5. The Swedish delegation led by Mr. Hadar Cars, Minister of Commerce. (Centre)
6. Mr. A. Gerner, member of the Government of Liechtenstein, observer.
7. The Swiss Delegation led by Mr. Fritz Honegger, Federal Councillor, Head of the Federal Department of Public Economy. (Centre)
8. The Austrian delegation led by Mr. Josef Staribacher, Minister for Trade, Commerce and Industry. (Far right)

prominent in the Ministers discussions. One was the virtual completion of the negotiations between the EFTA countries and Spain which has since led to the initialling of a multilateral free trade agreement between them on 7th December. The main contents of the agreement itself are described on page 16. All that needs to be mentioned here is that the agreement was welcomed as an essential step towards the extension of the free trade system in Western Europe to another market economy country, and that this was the first time that the EFTA countries had cooperated in negotiating a free trade agreement with a third country.

Ministers were also able to express their satisfaction at the work being done by the newly established Joint EFTA-Yugoslavia Committee meeting. (See also page 12). This was recognised as another instance of the intensification of cooperation between the EFTA countries.

The Councils were informed by the Icelandic delegate about the difficulties being experienced by manufacturers in his country at the approach of the final stages in the ten-year calendar for abolishing Iceland's import duties. In relation to its EFTA partners, and under its FTA with the EC, the duties should be reduced from 20 to 10 per cent on 1st January 1979 and finally brought to zero a year later. The Government has decided to carry out the first of these reductions on time but would like to reach agreement on postponing the final one. Other Ministers expressed understanding for Iceland's difficulties but drew attention to the importance of not taking unilateral decisions to deal with the problem. ■

1. An animated conversation between Messrs. Cars, Jolles and Honegger.
2. Mr. Bakke and Mr. Väyrynen in deep discussion.
3. Mr. Ásgeirsson and Mr. Constâncio.
4. The new Deputy Secretary-General of EFTA, Mr. Magnus Vahlquist, and the Secretary-General, Mr. Charles Müller, whose term of office was renewed at the meeting for a further three years.

Consultative Committee meets

Lengthy debate on common economic problems

1. Mr. Paavo Väyrynen, Chairman of the Joint Council of EFTA and Finland at Ministerial level, presiding over the discussions in the Consultative Committee. To his left, Ambassador Paavo Kaarlehto, Chairman of the Joint Council at official level.
2. The Austrian delegation : G. Weber (industry), W. Muhm (trade unions), W. Melis and F. Gleissner (Federal Economic Chamber).

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The principal debates of the Consultative Committee, which met in Geneva on 23-24 October, amply illustrated the range and complexity of the issues which are preoccupying the members. In fact, most of the meeting was devoted to the first item on the agenda, "The EFTA countries in the present European and world economic situation".

The debate was opened by the Chairman, Mr. P. Väyrynen, Minister of Foreign Affairs of Finland, who is currently in the chair of the EFTA Councils at Ministerial level. The discussion on the above-mentioned theme constituting the first point on the agenda was based on documents circulated in advance to the Committee, analysing in detail the economic position of each EFTA country. The chairman's remarks, which concentrated on the need to resist protectionism in its many new forms, found many echoes in the debate which continued into the mid-morning of the following day.

Although most of the later contributions shared the Minister's views, some of them considerably differed from his approach. In fact, several Trade Unionist members of the Committee (which consists of five representative figures from important sectors of the economic life of each EFTA country, plus observers) insisted that free trade was not an end in itself, but only a means to growth and full employment. In periods of recession like the present, full account had to be taken of the need to preserve existing jobs and not add to already swollen unemployment rolls. Moreover, free trade could only be preserved if there were sanctions against its abuse.

In this way, the issue was widened into a proposal by the Trade Union members that the Consultative Committee as a whole should declare its support for the so-called "social clause" which the European Trade Union movement has asked to be added to the Articles of the GATT. The argument is that countries are already entitled to defend themselves by trade restrictions against dumping and export subsidies. Why not, therefore, add the right to protect their markets against the import of goods produced under "socially unacceptable working conditions"? Such a clause, it was argued, would not only protect workers from unfair competition, but would also be a spur to the improvement in working conditions in the offending industries abroad and would thereby help workers everywhere.

This proposal was by no means welcome to everyone in the Committee. The first argument against it was that it would be misused to protect existing industries (in the already developed countries) from competition from new industries abroad (in the developing countries). It was thus seen by some as a potentially explosive North-South issue,

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3. The Finnish delegation : A. Castrén (industry), I. S. Melin (employers), K. O. Virtanen and H. Niemi (trade unions), S. Yrjönen (Chamber of Commerce).
4. The Swedish delegation : O. Sundström (employees), G. Lindström (employers), W. Paues (industry), H. Swedberg (banking), G. Dahlström (trade unions).
5. The Icelandic delegation : P. Sigurjónsson (employers), A. Tryggvason (cooperative societies), G. J. Fridriksson (industry), H. G. Kristjánsson (Chamber of Commerce).
6. The Swiss delegation : R. Juri (agriculture), J. R. Zeller (importers and wholesalers), A. Jetzer (industry), H. Allenspach (employers). Seated behind : R. Maier-Neff (employees).
7. The Norwegian delegation : E. Hoff (employers), T. Støre (commercial associations), R. Roem-Nielsen (industry), K. M. Fredriksen (industry), K. Sandegren (trade unions).
8. Part of the Portuguese delegation : J. M. Morais Cabral (industry-CIP), M. de Noronha Gamito (commerce), A. Gonçalves Ferreira (agriculture).
9. The other members of the Portuguese delegation : A. de Carvalho (industry-AIP), Vasco Cal (trade unions).
Photos : Vittet

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which could only be introduced at this stage of the current GATT negotiations at the risk of endangering the already seriously delayed outcome. Moreover, it would be illusory to attempt to harmonize internationally only one element of economic policy, that of working conditions.

Another issue which aroused contention between the Trade Union members and those representative of industry and trade was the request by the former that the Committee should give its full support to a Tripartite Conference –Governments, Employers' Organizations, Trade Unions– to be held under the auspices of the Council of Europe in Oslo next April. The agenda is to be decided at a later date.

Several members commented that since there was as yet no agenda their attitude could not commit their organizations to attend the Conference. There were also protests that there were altogether too many international meetings already; the ILO existed and had its own programme; and topics such as unemployment, which had been discussed everywhere already, would not be further illuminated by oratory.

One subject, however, which was raised during the debate met with unanimous agreement. This was the need for all EFTA governments to follow very closely the arrangements being made between the Community countries for the new European Monetary System (EMS). Some EFTA countries–Norway, and for a time Sweden–had participated in the existing "European snake" and had found the experience valuable for their currencies.

There was also agreement on the need for higher rates of investment if future employment was to be assured. But one senior member of the Committee asked himself "what kind of investment?" He pointed out that the present percentage of workers engaged in industry was much higher in Western Europe than in the United States. If the existing trend of diminishing industrial employment continued down to near the American percentage, where were the consequent twelve million new jobs to be found in the services sector? It also had to be remembered that the urban working population now, with the greater participation of women and the flow of workers away from agriculture, was much higher as a percentage of the total population than before, nearer 50 per cent than the 30 per cent of prewar days.

The next agenda item was the report of the Economic and Social Sub-Committee, to which the Consultative Committee had given a mandate to study "floating exchange rates" and "Government Aids". The Sub-Committee presented certain conclusions on the first subject (already summarized in an earlier edition of this Bulletin), but had not yet really come to grips with its second task. In thanking the Sub-Committee for

its work on floating rates–a sentiment shared by the whole Committee–the Chairman remarked that the Ministerial Council was awaiting with considerable interest the report on Government Aids. He therefore suggested that the Sub-Committee now should concentrate on completing that work before taking on anything else. In supporting this proposal, several members of the Committee suggested that the EFTA Governments should be as forthcoming as possible about their own aid programmes for industry, both general and particular. If possible, the Sub-Committee's report should give examples of how measures to maintain employment in one country could damage the industries of others. (It will be remembered that Iceland has raised this question in EFTA, protesting that government aids to maintain employment in the other Nordic countries have damaged Icelandic industries, which cannot have recourse to large state expenditures of this kind.) The Chairman assured the Committee that he would convey their wishes to his colleagues on the Ministerial Council.

The other items on the Consultative Committee agenda were more quickly dealt with. Regarding relations with Yugoslavia, the Committee agreed that a working group should study the question of industrial cooperation. On assistance to Portugal, the Committee was informed that the Industrial Development Fund for Portugal had already made 63 loans, totalling the equivalent of $34 million, for Portuguese industrialization projects which will involve the investment of three times that amount. Thus, in less than two years of operation, the Fund has already committed more than one third of its starting capital of $100 million. ■

Free Trade is not a dying concept

by Charles Müller, Secretary-General of EFTA

Extracts from a speech prepared for the annual conference of the Federation of Norwegian Wholesale Merchants and Importers, in Oslo on 16th November.

The subject proposed for the first part of your conference is a very topical one and a very important one. Free trade has of course been for a long time–almost ever since the end of the last world war–a very lively concept, and much more than just a concept. It has been associated in practice with a period of exceptional economic growth and of rising living standards. But in recent years doubts have been expressed about whether it is the right policy to maintain at a time of exceptional economic difficulties. I believe that free trade is a more valid concept than is sometimes understood, and that it remains the right policy; and I shall try to bring out clearly the reasons for these assertions.

Perhaps I should begin by clearing up a possible ambiguity. There is free trade in the sense in which EFTA is a free trade area. Generally speaking, free trade in this meaning of the phrase involves the complete removal at least of tariffs and quotas.

There is another sense of the phrase which has to be distinguished from this one, and which is equally part of the subject matter of this debate. Throughout the years since the last world war there has been a conscious movement towards a world-wide liberalisation of trade. The focus of this attempt has been GATT which embodies certain very general principles governing the conduct of trade and which has been the forum for six successive rounds of negotiations in which the level of tariffs on imports has been progressively reduced. GATT explicitly provides for the formation of customs unions or free trade areas on condition that the elimination of duties and other restrictions applies to substantially all the trade between the members. In several parts of the world customs unions or free trade areas have been established, but it seems fair to say that the process has gone farthest in Western Europe where we now have: the customs union of the European Community, the free trade area in EFTA, and the free trade system linking the EFTA countries and the Community.

In the first place it is relevant to point out that almost all of the post-war period has been one of rapid growth in economic activity and even more rapid growth in international trade. And one can safely assert that economic growth on the scale which we have experienced, and the prosperity that resulted from it, would not have been possible in the absence of a liberal trading system.

So far as EFTA is concerned, in the years from 1969–that is, immediately before the creation of EFTA–and 1977, the trade between the EFTA countries rose, in value not in volume, at an average annual rate of 16.2 per cent whereas their total trade grew at an average annual rate of 13.3 per cent. The studies that we have made, and published, show

conclusively that trade creation–a shift to more efficient producers–rather than trade diversion has been the more significant factor in the growth of the trade within EFTA. In the case of Norway, for example, it was established that the trade creation was twice as much as the trade diversion and that the creation of EFTA appeared to have accelerated the reorganisation of Norwegian industry. The point that I should like to stress here is that liberalisation and growth have gone hand in hand.

The gains from free trade

This indeed is what the advocate of free trade would expect. The argument is essentially that the freeing of international trade makes possible a more efficient use of the resources of land, labour and capital, and in this way works for the benefit of society as a whole. There is no need for me to rehearse the well-known reasons for this but it is perhaps appropriate to recall some of them very briefly. The basic argument is that countries will benefit from trading with each other if each specialises in producing the products in which it has greater relative efficiency or, in other words, a comparative advantage. The total output of the countries taken together will then rise as a result of trade and therefore increase their standard of living.

There is a benefit to the consumer–and we are all consumers–from being able to buy goods produced at lower cost in other countries which would be either excluded, or made more expensive, if an import duty is applied. The consumer also benefits from having a bigger selection of goods to choose from.

There are gains on the side of production. The production factors which have been used less efficiently for the output of goods that required the protection of tariffs can be re-allocated to more productive uses in industries in which the country has a comparative advantage.

There are gains that arise from economies of scale; from the larger scale of company operations that are possible in a larger market, from specialisation within particular industries, and from vertical specialisation.

In recent years, of course, the expansion which resulted from the post-war liberalisation of trade has been succeeded by a phase of much slower growth. I don't think I need to describe or to analyse this recent phase, except perhaps to point to one aspect which is now increasingly recognised. And this is that the slow rate of recovery from the recession that immediately followed the fourfold rise in crude oil prices in 1973 has shown that the problems are much more structural than cyclical. The continuous process of adaptation to changing conditions which is essential to economic growth seems not to have taken place on an appropriate scale during the earlier years of boom. Among the changing conditions to which too little attention was paid earlier was the growth in output and competitiveness of the newly industrialising countries–and this is a point that I shall come back to later. The adaptation process is of course not automatic. It depends in part on the ability of entrepreneurs to see coming opportunities and prepare to meet them. It also depends in part on the ability of governments to create the domestic conditions in which the necessary changes take place without too many difficulties.

Small countries, and all the EFTA countries are small countries, are particularly vulnerable to a slowing down in international demand. One possible way of measuring this vulnerability is in terms of share of exports in Gross Domestic Product. In the case of Norway, if all goods and services are taken into consideration, exports last year accounted for roughly 40 per cent of GDP. If one excludes services and includes only the traditional merchandise exports, the percentage falls to 26 per cent. This is somewhat higher than the average for all the EFTA countries, which is 23.5 per cent. These figures show clearly the openness of the EFTA countries. Indeed one of the claims that EFTA makes is that although its population is only about 1 per cent of the world total, it accounts for as much as 7 per cent of world trade. But one should not forget one aspect of this dependence on foreign trade. The expansion of trade in recent decades has involved a specialisation in production. And one of the consequences of this is that an appreciable–if not precisely measurable–proportion of imports consists of goods or parts or components which go into the manufacture of exports.

As the rate of growth of world trade has slowed down in recent years certain particular sectors of industry, which have experienced a loss both of jobs and profitability, have appealed for protection against the increasing competition from foreign manufacturers. This is a phenomenon which is at least as evident in the bigger industrialised countries as in the smaller ones. The result is that the advantages of trade liberalisation have become a subject of debate.

I recalled earlier, in rather general terms, the case for free trade. Now I should turn to a consideration of some of the arguments that are advanced against it. The case *for* is based on the principle that there are welfare gains from international trade if the production of goods is located where there is a comparative advantage. The converse of this is that there is a welfare loss if the allocation of resouces is determined by some other factor. The prices of protected products are higher than they would otherwise be; domestic resources are used less efficiently and therefore more wastefully than they might be; desirable adjustments in the allocation of resources are not made. And on the other side opportunities are denied to producers–and the labour force they employ –when access to a market is restricted by tariffs or other obstacles to trade.

But there is another point that should be made clear straightaway. The free trade system does allow for special difficulties. It recognises that there are circumstances in which governments may take action to deal with particular problems in ways which, under other circumstances, would be incompatible with the system. Specifically, the system contains escape clauses which can be invoked in the case of difficulties in particular industries or regions and in the case of balance of payment problems.

Protectionism self-defeating

The case presented in favour of protectionist measures is sometimes related not to any consideration of the general adequacy of a liberal trade system but rather to the rate of unemployment or the threat of an increase in unemployment. We now have about seventeen million men and women unemployed in the industrialised countries of the world. And unemployment is an obvious waste of resources, a human tragedy and a grave social problem. And if

protectionist measures could really solve the problem there would be no hesitation. After all, free trade is not an end in itself but a means for obtaining other objectives of which full employment is one of the most important.

But recourse to protectionist measures is self-defeating. Protectionism is contagious; unavoidably it provokes counter-measures. It also reduces the efficiency of domestic industry by preventing the structural adjustments that are required to maintain full employment in the longer term. It brings one into a vicious circle: protection, loss of competitiveness, decline in business activity, unemployment. In fact, the social costs of protectionism are less visible, though greater than those involved in a reduction in the size of a particular industry. To suppose that there is a choice to be made between safeguarding threatened jobs and keeping to the commitment to free trade is to produce a false dilemma: in the long run protectionism does not reduce but increases unemployment. And during the cyclical downturn there are other measures available to governments, measures which have been widely used in recent years. They include the retraining of workers, the encouraging of mobility and the creation of temporary jobs with a social rather than a productive purpose. In addition, import restrictions in any country lower the employment potential in other countries and therefore reduce the demand for exports from the country using the import restrictions.

One of the most striking changes that has been occurring in recent years has been the emergence of the newly industrialising countries as highly competitive suppliers of textiles, electronic products, ships and other products. There are obviously a number of reasons which have contributed to their advancement, including the aid they have received from the industrialised countries. The purpose of providing the aid was to enable them to diversify their economies in order to improve the standard of living of their citizens, and the aid makes it possible for them to improve their competitive position. There is a clear contradiction between encouraging and assisting them to become more developed, and then denying them the chance of obtaining the full benefit of their development.

The imports of certain manufactures produced in some developing countries have an evident link with the difficulties experienced–with the jobs lost–in the competing, or no longer competitive, factories in the Western world. But a balanced view of the relationship would take other aspects into account. The most relevant is that new competitors are also new customers.

Indeed, the developing countries as a whole supplied 10 per cent of the increase in the import of manufactures into the industrialised countries in the period 1963 to 1973, and 13 per cent in 1973-1976, while they purchased 21 per cent of the increase in the export of manufactures from the industrialised countries in the first of these two periods and as much as 37 per cent in the second. In other words the developing countries taken together have been expanding much more rapidly as a market for manufactures than as suppliers to the industrialised countries. And the conclusion to be drawn from this is that demand in the developing countries has made a substantial contribution in recent years towards raising the rate of growth of international trade and has therefore helped to sustain the level of manufacturing activity, and of employment, in the industrialised countries.

I should not overlook another aspect of the competitiion with the newly industrialising countries which is sometimes evoked as a basis for discrimination against some of their exports. The argument is presented in this way. Free trade is of course the right policy but–it is argued–we also need to have fair trade. That is to say, specifically, that the working conditions in these countries are often inferior to those in the industrialised countries, and this makes the competition between the two unfair. But it must be stressed that the standard of living will be reduced and the working conditions get even worse in the newly industrialising countries if new obstacles are opposed to their exports. If we let this happen we would not meet one of the most important challenges of today, which is to restructure the world economic system so as to give all countries a fair opportunity to ensure for their citizens a dignified way of life.

In recent years it has been suggested that the solution to structural problems might take the form of "organised free trade". Often this term seems to be used merely as an elegant way to describe protectionism. Sometimes it appears to be a kind of compromise which allows for some of the growth that one associates with a free trade system while setting limits to the short-term possibilities of growth. But then the only basis for determining where the growth is to occur involves jettisoning the idea of comparative advantage and having recourse instead to a kind of horse trading both internationally and in the individual countries. And one might add that, internationally, the smaller countries will be at a disadvantage here.

Small countries and protectionism

And this leads me to say a word about the position of small countries. It is suggested from time to time that small countries might be able to adopt protectionist measures without having to be afraid of the reactions of other countries. The argument is that their markets are not important enough; but one must not forget that many of their trading partners are small countries too. In fact, the experience of recent years might well lead one to conclude that it is rather the bigger countries who can do this. There is always the danger of retaliation, which could be the beginning of a chain-reaction that can easily get out of hand. Without any doubt small countries stand to gain most from the existence of a set of rules to govern trade which provides a framework of certainty for the conduct of international trade and which is accepted by the largest possible number of countries.

The question has also been raised whether liberalisation has made national economies too open and too vulnerable to factors outside national control. It is of course true that the interdependence of national economies has increased steadily since the war. This is to some extent the effect of trade liberalisation but it is also in a more general sense the effect of developments in modern communications and modern technology. Indeed, one could say that in economic terms we are living more and more in one world. One can of course argue whether this is good or bad in terms of the ability of nations to make their own decisions. But that it calls for more international cooperation seems to be clear, and I am convinced that EFTA can and should play a role in this context in the interest of the small industrialised countries it embraces. But it seems to me impossible to have it both

ways: to retain national control of all economic decisions and at the same time to enjoy the benefits–and these benefits are considerable–of the higher standard of living that comes from the international division of labour. It seems to me also to be very difficult to envisage a compromise between the two at any given point. Every country would want to make its own compromise at the point that suited it, and in each case there would be a reduction in benefits from international trade also for others.

The Multilateral Trade Negotiations

If I may return to the present economic situation one of the most urgent needs is to create new jobs to provide work for those who are now unemployed. They must be created in the sectors which are best suited to the new pattern of comparative advantage. For this purpose investment both in research and development and in new factories is essential. But in today's economic climate investment is discouraged by a multiplicity of uncertainties. So far as international trade, and the prosperity of the countries which largely depend on it, are concerned, the most pressing requirement is for a greater certainty about the rules and about the willingness of governments to abide by them. The Multilateral Trade Negotiations, which are now approaching their deadline in the framework of GATT, are intended to bring about a greater liberalisation of world trade and an improvement in the standard of living and welfare of the people of the world, and to do this by dismantling obstacles to trade and improving the international framework of world trade. Success in these negotiations will bring a new certainty to the context of trade in the years to come. The EFTA countries place the highest importance on these negotiations as a means of developing and securing a liberal world trading system.

In conclusion, let me come back to the question which has been chosen as title for this morning's debate: is free trade a dying concept?–or, as the literal translation of the Norwegian version goes: has free trade seen its best days? Considering the mounting pressure for protectionist measures in all countries, and considering that sometimes governments give in to such pressures, and in the face of the debate now going on in which many arguments–which I have attempted to invalidate–are brought forward against free trade, one might indeed be inclined to give a positive answer to that question.

But the consequences would be catastrophic. One can go back to the nineteen-thirties to evaluate what would happen after a general recourse to protectionist measures. And in the small industrialised countries of EFTA, which are so heavily dependent on exports, we can easily imagine what it would mean in practice. Perhaps for the moment some jobs could be preserved, in some countries, through the closing of the frontiers to imports. But how many more would be lost by reduced export opportunities and what would be the cost in terms of a reduction of the general standard of living? The answer, it seems to me, is clear.

Fortunately, there is reason to believe that this will not happen. No government of an industrialised country is advocating protectionism. The advantages of a liberal world trade system and of free trade are known to them all. In fact, the international division of labour, based on comparative advantage, has not really been endangered so far. A significant example is the fact that despite the recession, the tariff dismantling between the EFTA countries and the Community was carried through according to the timetable of the Free Trade Agreements. Indeed, one can say that the network of international trade commitments created since the war has in general well fulfilled its rôle as a barrier against protectionism.

Growth as a weapon against protectionism

But this does not mean that we can rest on our laurels. Continuing efforts will be necessary to safeguard the systems of liberal and free trade. And at the same time it must be agreed that it is most important to ensure that the high rate of unemployment in the OECD area is reduced. Unemployment on this scale is rightly considered unacceptable on economic and political grounds, as well as for social and humanitarian reasons.

I would agree with those who think that the best way to overcome the present economic difficulties–and also to vanquish protectionist pressures–is a strong revival of economic growth. To achieve such a revival and to ensure that it will be sustained, it is now generally recognized that all countries concerned must strive for concerted action, with each contributing according to its ability. And there is no doubt that in this setting liberal trade policies play a major rôle, since they continue to guarantee the most effective use of resources–to the benefit of us all. ■

First meeting
of Joint EFTA-Yugoslavia Committee

Plans meeting to advise Yugoslav export enterprises

The first meeting of the Joint EFTA-Yugoslavia Committee was held on 30th and 31st October in Belgrade. This Committee was established last June to deal with economic questions of common interest to Yugoslavia and the EFTA countries–Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. It replaced the EFTA-Yugoslav Joint Working Group, which had existed since 1967. Mr. Stojan Andov, member of the Yugoslav Federal Government and President of the Commission for coordination of cooperation between Yugoslavia and the EEC and EFTA, was elected chairman of the meeting.

The Committee exchanged views on general economic developments and prospects in the EFTA countries and in Yugoslavia. Following up the conclusion reached last June that cooperation between EFTA and Yugoslavia should be intensified on a multilateral basis and should provide a further stimulus to bilateral cooperation, the Committee discussed concrete possibilities of realising this aim in a number of sectors. There was a detailed exchange of views which took account of the problems arising from the Yugoslav deficit in its trade with the EFTA countries. At the same time, attention was given to certain aspects of the conditions governing the foreign trade of the EFTA countries and of Yugoslavia.

The EFTA countries and Yugoslavia expressed their interest in the achievement of a successful outcome of the multilateral trade negotiations in the framework of GATT which would contribute to the development of international trade and improve the position of the developing countries.

In order to give Yugoslav export organisations a fuller knowledge of the possibilities of access to the EFTA markets, the Committee agreed on the programme for a special meeting in which experts from the EFTA countries would describe marketing conditions in their countries. The meeting will be held under the auspices of EFTA from 12th to 16th March 1979 in Belgrade.

The role of long term industrial cooperation, including joint ventures, as means of securing a harmonious development of overall economic relations, particularly

trade, between the EFTA countries and Yugoslavia was the subject of a full review. The Yugoslav side informed the Joint Committee of the new Yugoslav legislation in this sphere which is intended to provide a basis for promoting further cooperation in this field with foreign countries. The Committee envisages the possibility of arranging meetings to discuss industrial cooperation between enterprises in EFTA countries and in Yugoslavia and agreed to revert to that subject at its next meeting.

Possibilities of cooperation in other fields were also on the agenda. The Yugoslav delegation expressed interest in cooperation in tourism and in transport. The Secretary-General of EFTA, Mr. Charles Müller, presented a report on an important aspect of EFTA's work on the elimination of technical barriers to trade which has the aim of facilitating international trade. This is the establishment of arrangements for the reciprocal recognition of national tests and inspections of particular types of products. These arrangements are independent of EFTA. Yugoslavia is already taking part in one of them, which relates to ships' equipment.

The discussions in the Joint Committee took place in a very friendly atmosphere. It was agreed that the Joint Committee should continue its activities with a view to proposing common actions in fields of mutual interest to the two sides. It was also agreed that the next meeting of the Joint Committee would be held in September 1979 in Geneva and that among the subjects for discussion should be the experience of the special meeting on trade promotion to be held in March. ■

Top: *Mr. Stojan Andov, the Head of the Yugoslav Delegation, was elected chairman of the meeting.*
Below: *Mr. Charles Müller, Secretary-General of EFTA, speaking during the meeting. On his left is Mr. Paavo Kaarlehto, Head of the Finnish Permanent Delegation to EFTA, who was spokesman of the EFTA countries during the meeting.*
Photos Tanjug

Economic indicators from the EFTA countries

Notes:
(a) Seasonally adjusted
(b) Rate for previous month or quarter
(c) Rate a year earlier
(d) In terms of foreign currency
(e) Excluding ships
(f) Adjusted for the number of days worked

Austria

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1971 = 100	July 1978	114.4	−10.3	+ 1.2
Building and construction	Monthly production value	mill. Sch.	June 1978	5,700.3	+ 1.4	+10.0
Retail trade	Volume index of retail sales	1973 = 100	June 1978	112.3	+ 4.9	+ 3.0
Labour	Employment index (a)	1956 = 100	July 1978	129.5	+ 0.1	+ 0.6
	Unemployment	thousands	July 1978	35.7	+ 1.1	+21.4
	Unemployment rate	percent of labour force	July 1978	1.3	1.3 (b)	1.0 (c)
Prices	Index of consumer prices	1976 = 100	August 1978	110.2	+ 0.6	+ 3.6
	Index of wholesale prices	1976 = 100	August 1978	103.6	− 0.5	+ 0.8
Wages	Index of wage earnings	1976 = 100	August 1978	118.7	+ 0.4	+ 7.1
Foreign trade	Imports – value	mill. Sch.	August 1978	18,461	− 0.3	− 2.4
	Imports – unit price index	1971 = 100	July 1978	137	+ 1.5	+ 0.7
	Exports – value	mill. Sch.	August 1978	12,982	− 8.6	+ 7.9
	Exports – unit price index	1971 = 100	July 1978	138	+ 2.2	+ 4.5
Exchange rate		Schillings per dollar	31 Oct. 1978	12.7025	14.04 (b)	16.0625 (c)

Finland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1970 = 100	August 1978	134	+100.0	+ 3.9
Building and construction	Buildings completed	mill. cub. met.	1st Qt. 1978	8.36	−40.3	−11.3
Retail trade	Volume of cooperative retailing (a)	1972 = 100	June 1978	110	− 0.9	− 2.7
Labour	Employment	thousands	July 1978	2,243	+ 0.1	− 2.0
	Unemployment	thousands	August 1978	154	− 8.3	+ 9.2
	Unemployment rate	percent of labour force	August 1978	6.7	7.3 (b)	6.0 (c)
Prices	Index of consumer prices	1972 = 100	August 1978	212.7	+ 0.4	+ 5.6
	Index of wholesale prices	1949 = 100	September 1978	735	+ 0.7	+ 4.9
Wages	Index of wages and salaries	1964 = 100	2nd Qt. 1978	453	+ 1.6	+ 3.9
Foreign trade	Imports – value	mill. markkaa	September 1978	2,721	+10.1	− 4.3
	Imports – unit price index	1975 = 100	2nd Qt. 1978	138	+ 2.2	+10.4
	Exports – value	mill. markkaa	September 1978	3,244	+35.3	+11.8
	Exports – unit price index	1975 = 100	2nd Qt. 1978	126	+ 1.6	+ 6.8
Exchange rate		Markkaa per dollar	30 October 1978	3.980	4.031 (b)	4.1410 (c)

Iceland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Fish catch	Volume	thousand tons	August 1978	162.2	+ 72.9	+ 33.2
Production for exports	Value	mill. Kr.	June 1978	13,342	+ 13.2	+112.5
Labour	Unemployment	number	31 Aug. 1978	480	+247.8	+107.8
	Unemployment rate	percent of labour force	31 Aug. 1978	0.5	0.1 (b)	0.5 (c)
Prices	Index of consumer prices	1/1/1968 = 100	1 August 1978	1,307	+ 12.0	+ 57.2
Wages	Index of hourly wages	1969 = 100	1 March 1978	1,061	+ 15.0	+ 53.5
Foreign trade	Imports – value	mill. Kr.	Sept. 1978	15,305.8	− 0.5	+ 55.9
	Exports – value	mill. Kr.	Sept. 1978	16,145.0	+ 12.6	+127.9
Exchange rate		Kronur per dollar	1 Nov. 1978	308.40	307.50 (b)	210.20 (c)

Norway

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (a)	1970 = 100	August 1978	117	+ 3.5	0
Building and construction	Buildings completed	Thousand sq. metres	September 1978	2,995	− 4.9	− 0.2
Retail trade	Index of retail sales (a)	1975=100	July 1978	130	− 3.7	− 6.5
Labour	Unemployment	Thousands	August 1978	20.0	+38.9	+32.5
	Unemployment rate	percent of labour force	July 1978	0.8	0.8 (b)	0.7 (c)
Prices	Index of consumer prices	1974 = 100	September 1978	146.9	+ 1.3	+ 8.5
	Index of wholesale prices	1977 = 100	August 1978	107	+ 0.9	+ 5.9
Wages	Index of hourly earnings (male workers)	1974 = 100	2nd Qt. 1978	166	+ 2.5	+ 6.4
Foreign trade	Imports – value (e)	mill. Kr.	August 1978	4,339	+25.4	− 5.8
	Imports – unit price index	1970 = 100	2nd Qt. 1978	183	+ 3.4	+ 5.2
	Exports – value (e)	mill. Kr.	August 1978	3,491	+18.8	+14.2
	Exports – unit price index	1970 = 100	2nd Qt. 1978	197	+ 9.4	+14.5
Exchange rate		Kroner per dollar	30 October 1978	4.8020	5.1480 (b)	5.4555 (c)

Portugal

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index (f)	1970 = 100	May 1978	169.7	− 2.5	+ 8.2
Building and construction	Building permits issued	number	2nd Qt. 1978	19,276	+21.1	+ 4.1
Labour	Employment	1968 = 100	2nd Qt. 1978	107.0	+ 0.7	+ 0.9
Prices	Index of consumer prices in Lisbon (housing excluded)	1963 = 100	Aug. 1978	512.4	+ 1.8	+15.5
	Index of wholesale prices (Lisbon area)	1963 = 100	July 1978	438	+ 3.1	+33.5
Wages	Index of wages in agriculture (men)	1968 = 100	July 1978	453.5	+ 0.1	+19.2
	Index of wages in industry and transportation (Lisbon area)	1961 = 100	2nd Qt. 1978	581.5	+ 5.2	+10.6
Foreign trade	Imports – value	mill. Escudos	Aug. 1978	16,745	− 7.0	− 1.0
	Exports – value	mill. Escudos	Aug. 1978	5,741	−41.4	+23.7
Exchange rate		Escudos per dollar	30 Oct. 1978	43.179	45.349 (b)	40.481 (c)

Sweden

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1968 = 100	July 1978	46	−64.9	− 13.2
Building and construction	Dwellings completed	thousands	July 1978	2.1	−58.0	− 8.7
Retail trade	Index of retail sales	May 1970 = 100	June 1978	215	+ 1.4	+ 12.6
Labour	Employment	thousands	August 1978	4,143	− 2.8	+ 0.6
	Registered unemployment	thousands	August 1978	113	+16.5	+ 27.0
	Unemployment rate	percent of labour force	August 1978	2.7	2.2 (b)	2.1 (c)
Prices	Index of consumer prices	1949 = 100	August 1978	469	− 0.2	+ 8.3
	Index of producer prices	1968 = 100	August 1978	224	+ 0.9	+ 6.7
Wages	Index of direct wages in mining, quarrying and manufacturing	1947 = 100	May 1978	1,531.8	+ 2.9	+ 11.2
Foreign trade	Imports – value	mill. Kr.	August 1978	7,200	+30.9	− 4.8
	Imports – unit value index	1959 = 100	2nd Qt. 1978	288	+ 0.3	+ 11.6
	Exports – value	mill. Kr.	August 1978	7,200	+28.6	+ 18.8
	Exports – unit value index	1959 = 100	2nd Qt. 1978	280	+ 2.9	+ 8.9
Exchange rate		Kronor per dollar	30 Oct. 1978	4.330	4.400 (b)	4.7828 (c)

Switzerland

		Unit	Period	Most recent statistic	Percentage change: Over previous month or quarter	Percentage change: Over same period of previous year
Industrial production	Volume index	1963 = 100	2nd Qt. 1978	153	+ 10.1	+ 2.0
Building and construction	Dwellings built	number	Sept. 1978	1,063	+ 72.8	−22.0
Retail trade	Index of retail sales	1949 = 100	Aug. 1978	424.4	− 4.5	− 2.9
Labour	Employment index	3rd Qt. 1966=100	2nd Qt. 1978	92.6	+ 2.5	+ 1.5
	Unemployment	number	Sept. 1978	8,090	+ 3.2	+ 4.4
	Unemployment rate	percent of labour force	Sept. 1978	0.3	0.3 (b)	0.3 (c)
Prices	Index of consumer prices	Sept. 1977=100	Sept. 1978	100.8	− 0.3	+ 0.8
	Index of wholesale prices	1963 = 100	Sept. 1978	140.7	− 0.8	− 4.7
Wages	Hourly earnings of workers	S.Fr.	2nd Qt. 1978	11.46	0.0	+ 3.0
	Monthly earnings	S.Fr.	2nd Qt. 1978	2,645	− 1.2	+ 2.9
Foreign trade	Imports – value	mill. Fr.	Sept. 1978	3,407.0	+ 6.9	− 7.9
	Imports – unit price index	1970 = 100	Sept. 1978	104.9	− 2.1	−14.8
	Exports – value	mill. Fr.	Sept. 1978	3,532.0	+ 16.6	− 3.8
	Exports – unit price index	1970 = 100	Sept. 1978	126.5	+ 1.2	− 3.8
Exchange rate		Francs per dollar	3 Nov. 1978	1.595	1.588 (b)	2.2308 (c)

Multilateral Free Trade Agreement between EFTA countries and Spain Initialled on 7th December 1978

A multilateral free trade agreement between the seven EFTA countries and Spain was initialled in Geneva on 7th December 1978.

The Agreement is a first step towards the extension of the free trade system which already links the EFTA countries with the European Community to a seventeenth market economy country. By providing the same rules for industrial trade between the EFTA countries and Spain as there are for trade between the EC and Spain, the agreement removes an important element of discrimination. This is the first time the EFTA countries have engaged in negotiations for a multilateral agreement with another country, and the successful outcome is a confirmation of the will of the EFTA countries to increase their co-operation.

Once the agreement is ratified, the EFTA countries will reduce their import duties on almost all Spanish industrial products by 60 per cent. On a few sensitive products, the immediate reduction will be either 30 or 40 per cent. Spain will at the same time reduce its duties on imports of some industrial products coming from the EFTA countries by 60 per cent and on imports of a large number of other industrial products by 25 per cent. As part of the agreement Spain also agreed to reduce its duties on the import of some fish products, and has undertaken to try at a later stage to liberalise further the import of these products. The date for these first tariff cuts remains to be fixed.

Separate bilateral agreements were negotiated at the same time between five of the EFTA countries–Austria, Finland, Norway, Sweden and Switzerland–and Spain which will facilitate agricultural trade between them.

The date for these first tariff cuts in the multilateral Agreement remains to be fixed. Certain special regulations concerning trade between Portugal and Spain which were not settled so long as there was only a caretaker government in Portugal have still to be worked out.

The negotiations

The multilateral negotiations, which began at the end of June 1977 and were virtually concluded in November 1978, had as their *starting point* the trade agreement of 1970 between Spain and the European Economic Community, and as their *final goal* free trade in industrial products. This goal may be achieved as a result of the negotiations, due to start next year, for Spanish membership of the Community. A consequence of a successful outcome of these negotiations would be that the Free Trade Agreements between the EFTA countries and the EC would apply to Spain.

A consequence of the 1970 agreement is that industrial exports from the EC enter Spain at reduced rates of duty while EFTA exports do not, and Spanish exports enter the Community but not the EFTA markets at reduced rates. The EFTA countries and Spain therefore have a common interest in having access to each other's markets on terms corresponding to those in the 1970 agreement. This would also facilitate the transition to duty-free trade once the Free Trade Agreements are applied to Spain.

The choice of starting point for the negoti-

Opposite page. *Left: Mr. Miguel de Alda soro, Director General for International Economic Relations in the Spanish Ministry for Foreign Affairs, led the Spanish Delega tion in the final rounds of the negotiations.* Right: *Mr. Paavo Kaarlehto, third from left in the photo, was spokesman for the EFTA countries as Head of the Finnish Permanent Delegation to EFTA and Chairman of the Joint Council of EFTA and Finland.*

This page, left to right and top to bottom. *The other EFTA Delegations were led by the Heads of their permanent delegations to EFTA: Mr. Erik Nettel (Austria), Mr. Haraldur Kröyer (Iceland), Mr. Carlo Jagmetti (Switzerland), Mr. Johan Cappelen (Norway), Mr. Adriano de Carvalho (Portugal), and Mr. Carl De Geer (Sweden).*
Photos Bianco

ations had several implications for the content of the new agreement. The first is that neither the 1970 Spain-EEC agreement nor the EFTA-Spain agreement–if one can use this phrase to designate an arrangement which the EFTA countries and not EFTA itself has entered into–covers iron and steel products, which come under the ECSC.

The second is that the EFTA-Spain agreement involves tariff cuts which, generally speaking, are equal to those in the 1970 agreement, which leaves open the possibility of further reductions. And this is where the question of the "dynamic element" comes in. It was agreed that, in order to approach nearer to full free trade in industrial goods, any future concessions on industries products given by Spain to the EC would also be granted to the EFTA countries and that any given by the EC to Spain would likewise be granted by the EFTA countries. The EFTA-Spain agreement also provides for an annual review of the possibility of taking further steps and for a comprehensive examination not later than in 1982 with the aim of making substantial progress in the elimination of the remaining obstacles to trade.

On trade in agricultural goods it was necessary for the EFTA countries to negotiate on a bilateral basis since agricultural conditions and policies vary from one EFTA country to another. Some processed agricultural products are, however, subject to the tariff reductions laid down in the multilateral agreement.

The duties which the EFTA countries levy on imports from countries belonging neither to EFTA nor to the EC are not affected by their membership of EFTA or the obligations of their Free Trade Agreements. The rates from which the newly negotiated tariff cuts will be reduced by the EFTA countries are the most favoured nation (m.f.n.) rates in force on imports from third countries on 1st January 1978. But for products on which tariff cuts result from the Multilateral Trade Negotiations now approaching their deadline in GATT the lower rates will be the basis from which the EFTA countries will make reductions under the EFTA-Spain agreement. For its part Spain will base its tariff cuts on the external duties it applies at any given time.

The agreement contains a general prohibition against quantitative restrictions on imports. Certain derogations have, however, been found unavoidable. The exceptions on the EFTA side are limited to a few products on which the EFTA countries are entitled to apply such restrictions under their Free Trade Agreements with the EEC. The exceptions are more extensive on the Spanish side and imply, in short, that Spain from the outset may maintain the restrictions at present applied to the EEC under the 1970 agreement. The agreement envisages, however, a progressive elimination of these restrictions and provides for an annual increase of the quotas open to the EFTA countries of at least the same magnitude as applied to quotas under the 1970 agreement. The introduction of new restrictions will be possible only in exceptional circumstances and after consultations with the EFTA countries.

The agreement contains provisions intended to secure fair competition. With regard to cartels and enterprises with a dominant position, the provisions are the same as in the EFTA Convention and the EFTA countries' Free Trade Agreements with the EEC. On public aids, and in particular aids to exports, it was agreed that every effort would be made to avoid measures that may disturb competition. If this nevertheless should be the case the other side is entitled to take safeguard measures.

A Joint Committee, consisting of one representative of each country party to the agreement, is to be established. Its main tasks will be to supervise the implementation of the agreement and take the necessary steps for the future removal of obstacles to trade. It will also serve as a forum for consultations.

The EFTA-Spain agreement will apply also to Liechtenstein as long as the present customs union between Liechtenstein and Switzerland remains in force. ■

EFTA Industrial news

● The prototype of a small solar power plant constructed at *Seibersdorf* in Austria will go into operation by the end of this year. Austrian firms have been mainly responsible for the supply of the various units for the plant, such as the parabolic reflector, generator, turbine, and electric control panel. United Nations experts consider the Seibersdorf solar plant sufficient to meet the needs of smaller settlements in the developing countries. If produced in quantity, this type of power plant would cost between 1.5 and 2 million schillings.

● *Elkem-Spigerverket AS,* the Norwegian metal and engineering company which is also Norway's main producer of bolts, has taken over a 50 per cent shareholding in the Swedish companies AMC Beslags AB and L.E. Fjordman AB of Gothenburg, both producers of bolts and screws. The move is aimed at improving supplies and international marketing of bolts and screws.

● Two Swiss concerns, *FIBRIVER* of Lausanne and *Siegfried Keller AG* of Wallisellen, have developed a system for insulating existing buildings which is expected to bring about considerable savings in heating costs. The system consists of applying a "second skin" to the building, made of glass fibre and a mortar-based adhesive mass strengthened with a woven reinforcement. The resulting double wall has the same insulating effect as that obtained in a thermos flask. The advantages are manifold: old buildings can be insulated at the same time as their facades are renovated; there is no reduction in the living space; the appearance of the original facade is maintained.

▲ The Swedish shipyard *Öresundsvarvet* (Landskrona) has put on the market an automated oil-purifying plant in the form of a barge. The floating plant, known as Separina, is 51 metres long and can be towed direct to ships in harbour or at sea to take aboard their oily ballast water up to a maximum capacity of 2,200 cubic metres. Once returned to berth, the plant can purify the oil at an hourly rate of 25,000 litres, reducing a ballast oil content from 10,000 mg/litre to 5 mg/litre. Purification is carried out by the flotation method, tiny bubbles of air attaching themselves to the oil particles and raising them to the surface where they are collected by a special device. The oil thus recuperated is either sold or consumed by the plant itself. The barge requires the minimum of supervision during the purification process; sampling, flow-metering and monitoring of the cleaned water are carried out automatically.

● The *Sulzer-Brown Boveri* consortium of Switzerland is to supply a water purification plant to Iran which initially will supply 350,000 m^3 of drinking water to the 680,000 inhabitants of Ispahan. The plant is expected to go into operation in 1981.

● *AB Casco,* part of the Swedish KemaNobel group, is to form a joint subsidiary with *Dyno Industrier AS* of Oslo for the marketing of resins used in the particle board industry, produced by the parent companies, and for the coordination of research, development and service in that sector. The new company, *Dynobel SA,* will be based in Oslo and is to be responsible for an annual production capacity of 250,000 tons of resin.

● The Swiss company *Brown, Boveri & Co.* (Baden) is to supply Togo with an electric steelworks which will have an annual output of 40,000 tons of steel for the construction industry. The plant is expected to go into operation early in 1979.

Brown Boveri has also signed a contract in Lomé for the turnkey installation of a 75 MW combined gas/steam turbine power station, as well as a diesel power plant of 4 × 10 MW. These two power plants will permit Togo to be self-sufficient as far as its electricity supply is concerned.

● Over 300 Portugese firms engaged in exporting are represented in the *EXPOFAIR* building in *Lisbon.* The firms have a permanent exhibition of their products: textiles, ready-to-wear clothing, shoes, plastic goods, paper pulp, furniture, machinery, electrical and electronic equipment, shipbuilding, marble and traditional products such as wine, olive oil, tomato paste, canned fish, ceramics and pottery, gold and silverware, cutlery, embroidered articles, cork, etc. The centre facilitates the task of the businessman in many ways. Free of charge, he receives information on the products and their producers, on commercial legislation and any special restrictions which may be in force. Furthermore, the centre will establish the necessary contacts and assist in ensuing negotiations, make available meeting rooms and provide secretarial and interpretation services. EXPOFAIR is to be found at Rua Castilho 3, Lisbon 1.

● The Finnish company *Wärtsilä* has received two orders for maintenance ships for use in the North Sea oilfields. The first, worth 50 million markkaa, is for two vessels of 1,100 grt for the maintenance of drilling platforms to be supplied in May and September 1979 to the Norwegian company Parley Augustsson & Co. The second order, worth 60 million markkaa, is for a 1,000 grt vessel for general and underwater maintenance. Both orders will be carried out at the Turku shipyards and mark the entry of Wärtsilä on the maritime oildrilling market.

● An Italo-Swiss consortium has received an order worth 75 million dollars from Salvador for the construction of a power station on the Rio Lempa. The project will be financed by the Inter-American Development Bank and will be shared equally by the Swiss firm *Costruzioni Stradali e Civili SA* (Lugano) and the Italian firm Cogefar of Milan.

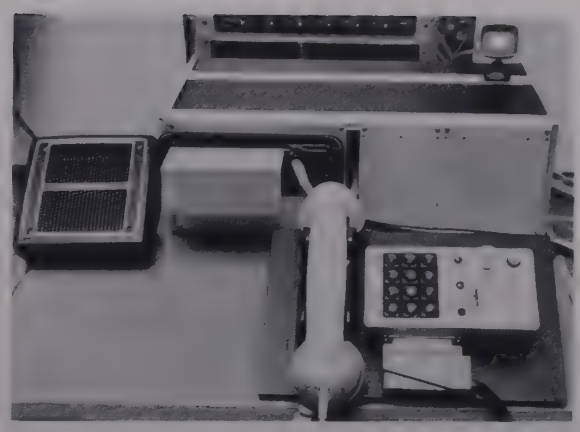
● The Austrian company *Vereinigte Edelstahlwerke AG* Vienna, is to supply the Yugoslav company RMK Zenica with a Böhler electroslag remelting plant.

► The telecommunications administrations of the *Scandinavian* countries are introducing a new and entirely automatic car telephone system which will be common to the three countries. A subscriber will be able to use the car telephone in the same way as his home or office phone; it will also be possible to make calls automatically between all cars in the countries concerned which are equipped with such telephones. The Swedish telecommunications administration has ordered two special exchanges from LM Ericsson which initially will serve 20,000 subscribers. These units will be digital transit exchanges of the AXE type with stored programme control. A similar exchange for 10,000 subscribers, with an ultimate capacity for 50,000, has been ordered by the Danish telecommunications administration.

● The Finnish group *YP,* an export company founded by the two Finnish construction firms YIT and Puolimatka, has signed a contract with Orbis, the Polish national tourism organisation, for the construction in Poland of two hotels totalling more than 1,200 beds and for two motels. The contract is worth 170 million markkaa and construction is expected to be completed by 1980. A cooperation agreement also provides for the construction of other hotels of a total value of some 500 million markkaa by 1985.

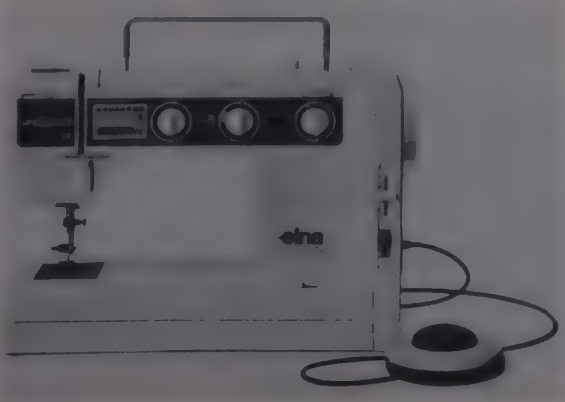
● Boise Cascade Corporation (Rumford, Maine), the American paper manufacturers, have ordered a paper machine worth 60 million markkaa from the Finnish firm *Valmet.* The machine, which is 8.1 metres wide with a production capacity of 1,065 m/min., will produce high quality coated papers which are in great demand on the American market. Delivery is forecast for 1981.

► The Swiss firm *Tavaro,* Geneva, has brought out a new sewing machine–the Elna Air Electronic. This is the first model to have an electro-magnetic motor, an electric component for regulating the speed and maintaining a constant couple of the motor, and a pneumatic foot control. The company has recently renewed its complete range of sewing machines on the basis of this new technique.



● The Austrian firm *Tyrolit* (Schwaz), which produces abrasive material, has developed a new grinding and cutting-off wheel of the Tyrolit Secur type which is particularly suitable for machining aluminium, aluminium alloys and coloured metals. The new wheel produces a minimum of waste and has the added advantage of giving off no obnoxious odours.

● Under the terms of a joint agreement, Sweden and other Baltic states–Denmark, Finland, West Germany, Poland, the Soviet Union and East Germany–are to test a *Swedish* system for detecting ships which discharge oil into the sea. The experiment will begin early in 1979 and will last about a year. The system, which was successfully tested in 1975, consists of adding minute particles of various metal alloys in identifiable combinations to the residual oil left in a ship's tanks. Any ship illegally discharging oil into the sea can be identified by means of this metallic pattern. Sweden will provide expertise and will be responsible for the central administration of the project.



Schemes and Conventions

Pharmaceutical Inspection Convention

Members of the Committee of Officials of the Pharmaceutical Inspection Convention paid visits to countries having shown interest in the Convention.

A small group of inspectors paid an informal preliminary visit to Bucarest from 25th to 28th September 1978 to discuss questions relating to the Romanian inspection system and to prepare a visit to Romania by the members of the Committee of Officials. The small group had the opportunity to meet officials of the Romanian State Institute for Drug Control and Pharmaceutical Research. A visit to a pharmaceutical firm enabled the members of the group to see how good manufacturing practices were applied in the production of pharmaceutical products.

Several members of the Committee of Officials visited Hamburg from 2nd to 4th October, in order to beome acquainted with the pharmaceutical inspection system applied in the Federal Republic of Germany.

In the Federal Republic the law relating to the production and control of pharmaceutical products is federal but the execution of the law is in the hands of the Länder (Federal States). The visit to Hamburg enabled the participants to meet the health authorities and to observe the production and control techniques used by two manufacturers in the city as instances of the application of the federal law.

Agricultural Machines and Tractors

The authorities participating in the international scheme for the reciprocal recognition of tests carried out on agricultural machines and tractors held their annual meeting in Geneva on 24th October 1978. All authorities reported that the scheme continued to work well and that no difficulties had been encountered in its operation. They found it useful to continue to collect statistics of the number of test reports accepted and recognised under the provisions of the scheme since this indicated how the cooperation under the scheme to a great extent reduced the testing work on safety cabs and frames.

Information concerning national safety regulations for combine harvesters which was submitted in advance by the authorities was examined at the meeting. The intention is to compile at the next meeting a list setting out in a uniform manner the present safety regulations in this field, so that authorities, manufacturers and importers will have a clear statement of the national requirements. The participants in the scheme are the authorities responsible in Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. ■

Ministerial meeting of the EFTA Councils Geneva, 23rd and 24th November

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 23rd and 24th November 1978 under the Chairmanship of Mr. Paavo Väyrynen, the Finnish Minister for Foreign Affairs, who is the current Chairman of the Joint Council.

Need for more international economic cooperation

The Ministers expressed their concern at the international economic situation which was characterized by continuing low rates of economic growth, persistent unemployment, monetary instability, balance of payments difficulties, inflationary pressures and the threat of a recurrence of protectionism. Ministers stressed that, despite somewhat higher rates of growth recently, international economic co-operation needed to be intensified in order to give a greater vigour to the international economy and improve the employment situation. Therefore it was necessary to fulfil the intentions of the OECD programme for concerted action. They emphasized also the importance of maintaining the co-operation exemplified by the renewal of the OECD Trade Pledge in order to enable all countries to adhere to their commitment to a liberal world trading system. Ministers supported all attempts being made to restore monetary stability and welcomed the efforts of the European Community to establish a European Monetary System. The possibility should be kept open for other European countries to determine their relationship with it at an appropriate time.

Early conclusion of Multilateral Trade Negotiations urged by Ministers

Ministers stressed the importance of achieving a balanced and substantial settlement before the end of this year in the Multilateral Trade Negotiations. Success would not only contribute to a further liberalization of world trade but also give increased transparency and discipline to the world trading system. Furthermore it would strengthen the GATT as a necessary framework for the expansion of international trade in the decades ahead, benefiting both industrialized and developing countries.

Ministers therefore noted with satisfaction that progress had recently been made towards solving some of the remaining problems in key areas of the negotiations. The EFTA Ministers urged all parties to pursue the negotiations in Geneva with the objective of an early conclusion of all outstanding issues in spite of certain setbacks in developments of relevance to these negotiations. They reaffirmed their commitment to contribute to an early and successful outcome of the negotiations, thus stressing the importance of maintaining liberal trade policies.

Support for North-South Co-operation

Ministers recognized that the North-South dialogue was a permanent and dynamic feature in the international economic relations of today. They felt that global interdependence required constructive and differentiated approaches, each group of countries and each individual country accepting their share of responsibilities. Ministers expressed the commitment of their Governments to a successful conclusion to the current negotiations and in particular to those on a Common Fund. Such a new global instrument to deal with commodity problems would break important new ground in the field of international economic co-operation by serving as the key instrument in attaining the agreed objectives of the Integrated Programme for Commodities. Ministers also agreed to work towards reaching the widest possible understanding, at UNCTAD V, on both immediate and long-term action to deal with problems of international economic co-operation, particularly co-operation for development.

Relations with the European Community

Ministers discussed the experience as regards the functioning of the Free Trade Agreements between their respective countries and the European Community and expressed general satisfaction with the way in which those agreements had contributed to the free flow of trade in Europe. They stressed the importance of fully adhering to the objective of total free trade also with respect to the sensitive products in accordance with the agreed time-tables. The situation in the paper sector gave rise to particular concern in this context. They also stressed that the special arrangements relating to the trade in steel products should be only temporary and applied without interfering in the free trade established in Europe. Ministers were convinced that the operation of the Free Trade Agreements would benefit from a further simplification and improvement of the rules of origin as proposed by the EFTA countries.

The multilateral free trade agreement with Spain

Ministers expressed satisfaction that the negotiations between the EFTA countries and Spain had now virtually been concluded and that a multilateral free trade agreement between them would be initialled on 7th December. This achievement constituted an essential step towards the extension of the European free trade system and was at the same time a manifestation of the will of the EFTA countries to increase their co-operation.

Increased co-operation with Yugoslavia

Ministers noted with satisfaction that a Joint EFTA-Yugoslavia Committee had been established in June in order to intensify the economic co-operation between the EFTA countries and Yugoslavia, and had held a first meeting in Belgrade on 30th and 31st October. They welcomed the Joint Committee's decision to sponsor a special meeting on trade promotion in Belgrade next March, as well as its thorough exploration of other specific areas of common actions.

Intensified EFTA co-operation

Ministers expressed their satisfaction with the EFTA work under the Stockholm Convention. They reaffirmed the determination of their Governments, expressed at the Vienna Summit last year, to further develop and strengthen the co-operation between their countries. This determination was reflected also in other activities, particularly in the work being done on the removal of technical barriers to trade and the greater use being made of the Economic Committee for consultations on matters of common economic

interest. It had also been clearly shown by the recent development of the relations of EFTA countries with Spain and Yugoslavia.

Ministers welcomed the active interest shown in the work of the Association by the newly created Committee of Members of Parliament of the EFTA countries at their recent meeting in Stockholm. They also expressed their appreciation of the continued contribution of the Consultative Committee to the work of EFTA. Ministers emphasized that both Committees were of great importance to the activities of the Association since they provided a valuable link with the parliaments and the main sectors of economic life in the EFTA countries.

Prolongation of the appointment of the Secretary-General

Ministers noted with appreciation the willingness of the Swiss Government to continue to make Mr. Charles Müller available to EFTA and decided to prolong his appointment as Secretary-General until January 1982.

Ministers to meet in Norway

The Councils accepted an invitation from the Norwegian Government to hold their next meeting at Ministerial level in Bodö on 21st to 23rd May 1979. ■

Economic Committee

The Economic Committee met in Geneva from 6th to 8th November 1978. It reviewed international economic and monetary developments and resumed its discussion of the implications for the EFTA countries of continued low growth in the world economy. It also surveyed recent developments, policies and prospects in Iceland, Sweden and Switzerland. (Similar surveys of the other EFTA countries were made at meetings of the Committee earlier this year.)

The Committee observed that there were now somewhat better prospects for a faster rate of growth in the OECD area in general and especially in OECD Europe, but expressed the opinion that such optimism still rested on a frail basis. In any case, it was unlikely that unemployment would be reduced and the outlook for the second half of 1979 was still not very promising. The pattern of current account balances seemed to be improving somewhat and the outturn for the EFTA countries was expected to be much better. There was, however, little hope of a fundamental change in the positions of the larger surplus countries. In its discussion of the developments in the international currency markets. the Committee recognised the unsettling effects of continuing market disturbances, especially on business investment intentions.

In its exchange of views on the implications for the EFTA countries of continued low growth, the Committee reviewed the possible action that EFTA countries could take to maintain competitive advantages and, if possible, gain market shares. The Committee thought it was interesting to compare in this respect the experience of individual countries.

The Committee's discussion of the situation and developments in Iceland, Sweden and Switzerland included a review of the policies which had been adopted by these countries to improve their economic situations and particular attention was paid to medium-term prospects and to the structural adjustment policies required.

Committee of Trade Experts

The agenda for the meeting on 9th to 12th October of the Committee of Trade Experts covered a variety of subjects, including the work done on technical barriers to trade and the application of the price compensation measures applied in five EFTA countries to compensate for differences in raw materials prices.

On technical barriers to trade the Committee had a preliminary discussion of the possibility of working out reciprocal recognition schemes for some new groups of products. Arrangements of this kind are already applied in six international schemes and two conventions designed to facilitate trade in particular categories of goods through the reciprocal recognition of national tests and inspections. The Committee considered problems relating to the requirements for electrical equipment for use in potentially explosive atmospheres, in view of the work being done on this subject in the EC.

Four of the five EFTA countries which apply price compensation measures, in order to offset the differences at which agricultural raw materials are available for the manufacture of processed agricultural products, had reported changes in the measures they use. The Committee reviewed the changes to ensure, as is required by Article 21 of the Stockholm Convention, that the compensation actually given does not exceed the difference between the domestic prices and the world market prices for the raw materials concerned.

There was also a discussion of the Icelandic import equalisation tax which came into force on 1st July 1978. The tax, which is designed to provide compensation for the cascading effect of the sales tax levied at various stages of production on the corresponding domestically manufactured products, is to remain in force until 1980 when the sales tax is expected to be replaced by a value-added tax.

Expert Group on Export Credits

An expert group set up to study the possibility for EFTA governments to agree not to grant subsidies to export credits in trade within EFTA met on 12th October 1978 in Geneva. In its conclusions the expert group agreed that it was desirable to avoid, so far as possible, giving official support for interest rates in connection with credits for exports from one EFTA country to another. The group noted that the EFTA countries were prepared to examine in a positive spirit the possibility of adhering to a broader arrangement which would include other countries and would aim at ending official support for interest rates in connection with export credits. It also concluded that the appropriate forum for continuing discussions with this purpose would be the OECD framework ("consensus group"), and that this would not exclude discussions and consultations on these matters also within EFTA. The expert group was established by the Councils at official level after the Councils at Ministerial level had agreed last May that the question should be studied in EFTA. ■

EFTA Industrial Development Fund for Portugal: 296 million escudos for two new projects

The granting of loans totalling 296 million escudos (about 6.8 million dollars) for two new investment projects in Portugal was approved by the Steering Committee of the EFTA Industrial Development Fund for Portugal on 15th November. A total of 62 new jobs will be created when the projects are completed.

One loan will help to finance a new Norwegian-Portuguese joint venture. An amount of 100 million escudos was allocated for a new Portuguese company, Viknave, which will construct a plant to build small fishing boats, employing the know-how in the use of fibre glass of the Norwegian firm Viksund Trading A/S. The second loan – of 196 million escudos – will go to the Swedish-Portuguese pulp manufacturer CELBI (Celulose Beira Industrial), for the financing of equipment that will help it to purify the gaseous and liquid effluents from the mill and also to slightly increase production capacity at Leirosa near Figueira.

The Steering Committee expressed a favourable attitude to a tourist project presented by a Norwegian group of promoters. It intends to take a decision on that project at its next meeting, when further details of the scheme will be known. The project concerns the building of a holiday village of 2,100 beds in the Algarve.

The Steering Committee decided to consider a new subject, the training of managers. It will cooperate on this question with the various Portuguese bodies responsible for activities in this field. The funds needed will probably come from the special allocations made possible by the Statute of the Fund. ■

New Deputy Secretary-General of EFTA

Mr. Magnus Vahlquist succeeds Mr. Arne Langeland

Mr. Magnus Vahlquist was appointed Deputy Secretary-General of EFTA at the meeting of the EFTA Council on 18th November 1978. He succeeds Mr. Arne Langeland who has been appointed a Director-General in the Norwegian Ministry of Commerce and Shipping.

A Swedish diplomat, Mr. Vahlquist has been working with EFTA matters since 1972, first as a member of the Permanent Swedish Delegation in Geneva and since June 1976 in the EFTA Secretariat as Director of the Secretary-General's Office.

Mr. Vahlquist is 40 and a graduate of Uppsala University. He joined the Swedish Foreign Service in 1962. From 1963 to 1967 he served at the Swedish Embassies in Moscow and Peking. He then returned to the Political Department of the Ministry for Foreign Affairs in Stockholm. In 1970 he was assigned to the team which negotiated the Free Trade Agreements between Sweden and the European Communities.

At a farewell lunch for Mr. Langeland the Chairman of the EFTA Council at official level, Mr. Haraldur Kröyer, the Head of the Icelandic Delegation, expressed his appreciation for Mr. Langeland's qualities of frank forthrightness and scrupulous honesty, both in his professional work and in his personal relationships. He congratulated Mr. Langeland on his appointment to a post of high responsibility and expressed the hope that it would give him the possibility to keep in frequent touch with his friends and former colleagues in the Association.

Prolongation of appointment of Secretary-General

At the Ministerial meeting of the Councils on 23rd and 24th November the Ministers extended the appointment of Mr. Charles Müller as Secretary-General until January 1982. ■

☐ **EFTA—what it is, what it does.** This brief folder leaflet gives general information about the history and purposes of EFTA. Available in bulk or single orders. *English, French, German* and *Portuguese.*

☐ **The European Free Trade Association.** A 14-page booklet outlining the history and working of EFTA. Also contains a section on the Free Trade Agreements with the EC. *English, French, German, Norwegian, Swedish* and *Portuguese.*

☐ **EFTA in a changing world.** EFTA Bulletin No. 4 of 1975. Twelve views on EFTA and its future on the fifteenth anniversary of its founding. *English, French* and *German.*

☐ **Structure, rules and operation of the European Free Trade Association.** A full account of EFTA's history, achievements and current activities. 146 pages. *English, French, German, Finnish, Swedish, Norwegian* and *Portuguese.*

☐ **The EFTA Industrial Development Fund for Portugal.** A short leaflet containing general information about the Fund, the statutes, and some statistical data on Portugal. *English, German* and *Portuguese.*

Trade studies

☐ **EFTA Trade 1976.** Of interest mainly to economists. Contains an analysis of EFTA trade in 1976 with an analysis of the trade of the seven EFTA countries with the oil producing countries which are members of OPEC. *English, French* and *German.*

☐ **The trade effects of EFTA and the EEC 1959-1967.** Also of interest mainly to economists. Contains 168 pages with 77 tables. *English, French* and *German.*

☐ **EFTA Facts and Figures.** A 14-page booklet giving statistical information on each of the EFTA countries. July 1976. *English, French* and *German.*

Regional policy in EFTA

☐ **An Examination of the Growth Centre Idea.** A study of the role of growth centres as a means of regional policy in EFTA countries (1968). 232 pages. *English only.*

☐ **Industrial Estates.** A study of the industrial estate system (1970). 80 pages. *English only.*

☐ **Industrial Mobility.** Analyses the experience of the EFTA countries in encouraging industrial mobility (1971). 160 pages. *English only.*

☐ **National Settlement Strategies: a framework for regional development.** Report by a working party of the Economic Development Committee. *English only.* 200 pages. 1973.

Formal publications

☐ **The Stockholm Convention.** English-French bilingual paperback edition of the Stockholm Convention. This edition is available free of charge from the EFTA Secretariat and from the distributors listed on the back cover of the EFTA Bulletin. *(July 1977 edition.)*

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☐ **Eighteenth Annual Report of EFTA.** July 1977-June 1978. *English, French* and *German.*

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